



# Thomas A. Schweich

## Missouri State Auditor

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**Thomas A. Schweich**  
Missouri State Auditor

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## STATEWIDE

# Compliance With Annual Spending Provisions



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**December 2012**  
**Report No. 2012-146**

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Compliance with Annual Spending Provisions

### Background

The Missouri General Assembly and the Governor grant legal authorization to make expenditures, and no expenditures are permitted unless spending authority is granted by an appropriation. Regular appropriations not spent by year-end lapse on June 30. State law prohibits any obligation for payment to be incurred unless there is an unencumbered appropriation balance sufficient to pay the obligation. We identified multiple agencies with numerous General Revenue Fund (GRF) appropriations which lapsed little or no funding but had higher than average total expenditures during the months of July and August of the following fiscal year. We then selected the five agencies with the highest dollar amount of expenditures which appeared to be related to the prior fiscal year: the Department of Social Services, the Department of Mental Health, the Missouri Veterans Commission, the Department of Elementary and Secondary Education, and the Division of Vocational Rehabilitation.

### Results and Conclusions

Many GRF appropriations are fully or almost fully spent by year end, and some current year obligations are paid in the next fiscal year. Due to the normal state business cycle, some current year obligations may be charged to the following year appropriations, such as when invoices are received too late to be processed for the current year. We did identify some invoices received in a timely manner which were not paid until after July 1, but agency personnel provided reasonable explanations, not related to a lack of GRF appropriations, justifying payment of the invoices from the following year appropriations. We identified no significant deficiencies in internal controls related to detecting and preventing agencies from incurring obligations in excess of current year appropriations, and no significant noncompliance with legal provisions.

Because of the compound nature of this audit report, no overall rating is provided.

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

Not applicable.

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# Compliance With Annual Spending Provisions

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Doug Nelson, Acting Commissioner  
Office of Administration  
Jefferson City, Missouri

We have audited state agency compliance with legal provisions regarding certain annual spending limitations. Specifically, this audit was conducted to determine if agencies were overspending General Revenue Fund (GRF) appropriations by incurring obligations in excess of current year appropriations and then paying the obligations from subsequent year appropriations. The objectives of our audit were to:

1. Evaluate internal controls related to detecting and preventing agencies from incurring obligations in excess of current year appropriations.
2. Evaluate compliance with certain legal provisions.

The Background, Scope and Methodology, Results, and Conclusions presents our comments, findings, and conclusions concerning compliance with legal provisions regarding certain annual spending limitations.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA  
Director of Audits: John Luetkemeyer, CPA  
Audit Manager: Randy Doerhoff, CPA  
In-Charge Auditor: Robyn Lamb  
Audit Staff: Matthew Schulenberg, CFE  
Erica Joannes

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# Compliance With Annual Spending Provisions

## Background, Scope and Methodology

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### Background

The Missouri General Assembly and the Governor grant legal authorization to make expenditures. No expenditures are permitted unless spending authority is granted by an appropriation. Regular appropriations not spent by year end lapse on June 30.

Various legal provisions exist which prohibit any obligation for payment to be incurred unless there is an unencumbered appropriation balance sufficient to pay the obligation. In addition, the state financial system, Statewide Advantage for Missouri (SAM II), has existing controls which identify and reject expenditures or encumbrances that exceed an appropriation's available balance.

Article IV, Section 28, Missouri Constitution and Section 33.040, RSMo, prohibit incurring obligations without certification by the state Office of Administration (OA). In addition, Article IV, Section 28, Missouri Constitution and Section 33.030.2, RSMo, require the OA to certify an obligation is within an appropriation's purpose and an unencumbered balance sufficient to pay the obligation exists. Article IV, Section 28, Missouri Constitution and Section 33.040.2, RSMo, also require the encumbrance of a certified obligation in SAM II.

The OA no longer requires agencies to submit payment documentation to the OA to satisfy the certification requirements set out in the Missouri Constitution and state statutes. Instead, the OA enters into an annual Cooperative Agreement on Accounting, Auditing, and Internal Control Activities (agreement) with each agency. This agreement requires agencies to submit an Internal Control Plan (ICP) annually to the OA for review. The agencies prepare and update the ICP using guidelines recommended by the OA, Division of Accounting (DOA). The guidelines outline five components of internal control (control environment, risk assessment, information and communication, control activities, and monitoring), and agencies document plans to achieve the five components. OA personnel review each updated ICP and discuss any concerns with the applicable agency.

The OA, Division of Purchasing and Materials Management enters into a Procurement Authority Delegation and Procedures agreement with each statewide elected official and executive department. By signing this delegation of authority, the official/department agrees to comply with the requirements of Chapter 34, RSMo, and Chapter 1, Division 40 of the Code of State Regulations which outline the laws and rules regarding procurement. The delegation of authority does not apply to the legislative branch, judicial branch, Lottery Commission, or the Missouri Department of Transportation (except for information technology, telecommunications, and printing purchases), as each is exempt from Chapter 34, RSMo, requirements.



## Compliance With Annual Spending Provisions Background, Scope and Methodology

In addition, the OA performs various reviews of specific payments and SAM II information that may identify overspending practices. For example, the OA performs a quarterly review of procurement card payments and supporting documentation. The OA also monitors the SAM II late payment penalty object code and discusses questionable fluctuations with agencies. The OA has also implemented various fiscal practices which control the rate of spending throughout the fiscal year. Allotments establish spending controls over appropriations for each 3-month quarter of the fiscal year. Any portion of the allotment period that is unexpended or unencumbered in one quarter is available in the next quarter. Each fiscal year, the OA, Division of Budget and Planning (DBP), will determine the percent allocated by quarter, which is generally 40 percent allocated in the first quarter, with 20 percent allocated in the second, third, and fourth quarters of the fiscal year. Some agencies are allowed allocation percentage flexibility between quarters, and the OA, DBP authorizes such agency requests.

The appropriation and allotment controls implemented by the OA prevent expenditures or encumbrances from exceeding the available appropriation and allotment balance, while the use of other financial documents further provides controls over the various legal requirements set forth in Article IV, Section 28, Missouri Constitution and Chapter 33, RSMo. For example, expense budgets define the intent and type of appropriation (i.e. personal services, expense and equipment, etc.) by identifying the valid budget object classes assigned to an appropriation unit. The OA requires an expense budget for each appropriation. Obligations must be validated against an expense budget before a payment is processed to ensure a budget object class exists for an appropriation and the obligation is within an appropriation's purpose.

## Scope and Methodology

The scope of our audit included, but was not specifically limited to the 2 years ended June 30, 2011. Our methodology included gaining an understanding of internal controls and compliance issues that are significant within the context of the audit objectives, analyzing SAM II system financial data; conducting interviews with appropriate agency officials and staff; reviewing pertinent legal provisions, regulations, and policies and procedures; and reviewing selected transactions.

To evaluate agency compliance with annual spending limitations, we obtained and analyzed SAM II system data files. We focused our analysis on state General Revenue Fund (GRF) expenditures, and identified multiple agencies with numerous GRF appropriations which lapsed little or no funding, after considering amounts withheld<sup>1</sup> at the Governor's request, but

<sup>1</sup> This report does not address the appropriateness of withholds by the Governor. Report No. 2011-43, issued August 2011, examined the withhold issue.



## Compliance With Annual Spending Provisions Background, Scope and Methodology

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had higher than average total expenditures during the months of July and August of the following fiscal year. We obtained SAM II data files for these agencies and performed queries to identify expenditures that appeared to be related to the prior fiscal year. We then selected the five agencies which had the highest dollar amount of queried expenditures. The five agencies included the Department of Social Services, Department of Mental Health, Missouri Veterans Commission, Department of Elementary and Secondary Education, and Division of Vocational Rehabilitation.

For the five agencies, we discussed with appropriate personnel reasons for higher than average total expenditures during the months of July and August, as well as specific expenditures identified in the SAM II queries performed. We also judgmentally selected individual payments to test.



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# Compliance With Annual Spending Provisions

## Results and Conclusions

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### Results

Many General Revenue Fund (GRF) appropriations are fully or almost fully spent by year end. At June 30, 2011, 270 (38 percent) of the 717 regular and biennial GRF fixed appropriations were fully spent, and another 100 (14 percent) of the appropriations lapsed less than \$10. At June 30, 2010, 294 (40 percent) of the 733 regular and biennial GRF fixed appropriations were fully spent, and another 105 (14 percent) of the appropriations lapsed less than \$10.

As noted through discussions with various agency personnel and review of expenditure detail, the normal state business cycle provides that some current year obligations be charged to the following year appropriations. For example, agencies may not receive invoices for obligations incurred in May or June until late June or after July 1 when it is too late to process expenditures in the SAM II system for the current year. As a result, the payment of these obligations is due to the state's normal business cycle. In addition, some agencies explained that GRF appropriations related to a federal grant or program may be used more heavily at the beginning of a fiscal quarter because federal appropriations may not be readily available due to the federal reimbursement process. Also, some agencies explained, to ease administrative processing when multiple appropriation units are available for payment, invoices received at the beginning of the fiscal year may be paid entirely from one appropriation unit (i.e., the GRF appropriation unit) until that appropriation unit's allotment is depleted. Invoices are then paid from another appropriation unit.

A review of expenditure detail did identify invoices received in a timely manner from vendors yet payments were still made after July 1. However, agency personnel provided reasonable explanations, not related to lack of GRF appropriations, justifying the payment of the expenditures from the following year appropriations. For example, while a GRF payment of approximately \$70,000 on an invoice dated in March 2010 was not paid by the Department of Elementary and Secondary Education (DESE) until July 2010, the DESE had not yet received confirmation that all contract deliverables had been met at the time the vendor submitted the invoice for payment. The vendor provided the DESE with documentation that the required deliverables were met in July 2010, thus payment was made in the subsequent fiscal year. Another example occurred at the Missouri Veterans Commission (MVC). Agency personnel explained vacancies and staff turnover delayed the processing of invoices at one of the Veterans Homes, and thus invoices totaling approximately \$74,000, were not paid in a timely manner. According to MVC management, the process was addressed, and the agency's work flow improved.

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### Conclusions

We identified (1) no significant deficiencies in internal controls related to detecting and preventing agencies from incurring obligations in excess of



## Compliance With Annual Spending Provisions Results and Conclusions

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current year appropriations, and (2) no significant noncompliance with legal provisions.



# Thomas A. Schweich

Missouri State Auditor

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## McDonald County



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December 2012  
Report No. 2012-145

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of McDonald County

Prosecuting Attorney Controls and Procedures	Accounting duties are not adequately segregated, and adjustments posted to the accounting system are not independently approved. Receipts are not posted to the computerized accounting systems timely and intact, and the receipt dates entered were not always accurate and in sequential order. None of the five receipting systems contains a complete record of all monies received and processed, and monies received were not always deposited intact and timely. Bank reconciliations had not been performed for any of the Prosecuting Attorney's six bank accounts, and errors in disbursing restitution, delinquent taxes, and fees were not detected. The Prosecuting Attorney's office does not have adequate procedures in place to account for and monitor the disposition of all bad checks submitted for collection.
Sheriff Controls and Procedures	The Sheriff paid himself \$13,080 from accountable fees for mileage to serve papers during the 2 years ended December 31, 2011. The Sheriff paid himself \$20 for every paper served, but some papers were served in the same location on the same day or no mileage was incurred. In one month alone the Sheriff received \$396 more than he would have received using the rate prescribed by the Internal Revenue Service and proper number of miles driven. Accounting duties are not adequately segregated, a monthly list of liabilities for the inmate bank account is not prepared and reconciled to cash balances, and the Sheriff has two dormant bank accounts which should be closed. A Sheriff's deputy, who resigned in February 2012, maintained and continues to maintain a Drug Abuse Resistance Education bank account for donations. There is no statutory authority allowing the Sheriff or his deputies to maintain this account outside the county treasury, receipt slips are not issued for donations, adequate supporting documentation for some disbursements was not retained, monthly bank reconciliations were not performed, and the check register was not accurately maintained. The Sheriff's office lacks adequate controls over seized property and several items have been held for a long period of time.
Disbursements	The county did not solicit bids for numerous purchases and did not retain documentation of some bids it did solicit. The county needs to improve controls and procedures over fuel use and purchases.
Payroll Controls and Procedures	The county did not compensate some employees for overtime in compliance with its overtime policy and Fair Labor Standards Act of 1938 (FLSA) requirements. Nonworking time is included in total hours when determining overtime earned, some employees were allowed to carry forward more vacation hours than allowed by the county personnel policy, and the county Emergency Management Director works over the standard 40 hour work week but is not paid overtime as required by county policy and the FLSA. Neither the County Clerk's office nor the employees' supervisors ensure the accuracy of timesheets, leave records, and other payroll records, and timesheets were not signed by some employees or supervisors.

Property Tax System Controls and Procedures	The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the County Assessor, neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector, and the County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. The 2010 and 2011 land and personal, railroad and utility, and back tax aggregate abstracts were not prepared timely. A comparison of the initial addition and abatement information prepared by the County Assessor and the additions and abatements entered into the property tax system by the County Collector is not performed. Taxes totaling \$68,000 were outlawed and removed from the tax books by the County Collector without County Commission approval.
County Collector Commissions and Withholdings	The County Collector did not properly calculate some commissions or withholdings. Approximately \$10,500 was under withheld from fire district and surtax collections, and approximately \$7,400 was over withheld from school districts.
County Commission Meeting Minutes	While the County Commission and County Clerk indicated closed session meetings were held, open meeting minutes did not indicate any meetings were closed and minutes for closed session meetings were not maintained.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	McDonald County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of McDonald County

We have audited certain operations of McDonald County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of McDonald County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.



For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of McDonald County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Heather R. Stiles, MBA, CPA
Audit Staff:	Lindsay Pearson
	Sara Lewis

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# McDonald County Management Advisory Report State Auditor's Findings

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## **1. Prosecuting Attorney Controls and Procedures**

Accounting duties are not adequately segregated, and there was no independent approval to support adjustments posted to the accounting system. Procedures for receipting, posting, and depositing monies are not adequate. The controls and procedures over bank accounts; liabilities; disbursement of restitution, delinquent taxes, and fees; and tracking of bad checks need improvement. As a result of these numerous control weaknesses, there is no assurance all monies are handled and accounted for properly.

The Prosecuting Attorney's office deposited bad check restitution and fees, court-ordered restitution, and delinquent tax payments totaling approximately \$83,500 during the year ended December 31, 2011, and \$184,500 during the year ended December 31, 2010. Starting in 2011 bad check and court-ordered restitution payments are not deposited into the bank account, but are transmitted directly to the victim; however, the amount transmitted in 2011 could not be determined.

### **1.1 Segregation of duties and adjustments**

The duties of receiving, recording, transmitting, depositing, and disbursing monies are not adequately segregated. The administrative assistant performs all of these duties, and the Prosecuting Attorney or other employees independent of these duties do not perform a comparison of monies received to those transmitted to victims or deposited. In addition, the administrative assistant and the legal assistant, who also receives and records monies and prepares deposits, are sisters. Because of this relationship and lack of segregation and oversight, there is greater risk in this area.

There also is no independent approval to support adjustments posted to the accounting systems, and adequate documentation of such adjustments is not retained. The administrative assistant, legal assistant, and office manager all have the ability and authority to post adjustments to the accounting systems without obtaining independent approval. Adjustments are needed because payment activity is not consistently recorded in the various computerized accounting systems used, defendants pay the vendor directly, amounts are deemed uncollectible, or insufficient information is provided on the complaint. During the 2 years ended December 31, 2011, adjustments totaling \$149,259 were made to the accounting systems.

Proper segregation of duties helps ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review of the records. Also, to ensure adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for such adjustments.



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## 1.2 Receipting, posting, and depositing monies

Procedures for receipting, posting, and depositing monies need improvement. The Prosecuting Attorney's office utilizes five separate receipting systems (four computerized and one manual) to track bad check restitution and fees, court ordered restitution, and delinquent tax payments.

- Receipts are not posted to the computerized accounting systems timely or intact. For example, a \$100 money order was deposited on March 2, 2010, but was not posted to the computerized system until March 29, 2010; and a manual receipt slip for \$25 was issued and deposited on February 8, 2010, but was not posted to the computerized accounting system until March 16, 2010. In another example, a \$138 money order was deposited on January 6, 2010, but only \$46 was posted to the computerized system on January 4, 2010, and the remaining \$92 was not posted to the computerized system until January 11, 2010.
- One of the computerized accounting systems allows the user to enter the date of the receipt into the system, and the receipt dates entered into the system were not always accurate and in sequential order. For example, receipt dates recorded for receipt numbers 423, 424, and 425 were March 24, March 8, and March 29, 2010, respectively.
- Each receipting system tracks different information and none of the receipting systems contains a complete record of all monies received and processed by the Prosecuting Attorney's office.

The numerical sequence of computer-generated receipt slips is not accounted for properly. For example, for receipt slips issued between January and May 2010, 21 receipt slip numbers were missing. In addition, 2 receipt slips were created using another software system to resemble receipts slips issued from one of the accounting systems used; however, these receipt slip numbers had previously been issued in October 2009, to other individuals for different cases and amounts. Further, the Prosecuting Attorney's office did not detect duplicate computerized receipt slips issued for some monies received. For example, a \$500 money order was deposited on March 2, 2010, and computerized receipt slips were issued for this receipt on both March 4 and March 29, 2010.

Monies received are not always deposited intact and timely. For example, a deposit on February 12, 2010, totaling \$730, included receipt slip numbers 9166, 9167, and 9168, while receipt slip numbers 9164 and 9165 totaling \$364, were not deposited until February 16, 2010. In another example, a \$258 money order dated April 16, 2009, was held and not recorded or deposited until April 30, 2010. The money order was subsequently returned by the bank because it had not been negotiated in a timely manner.



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Numerous other examples were noted at other times during the 2 years ended December 31, 2011. Due to the various problems noted above, amounts recorded in the computerized accounting systems cannot be reconciled to the amounts deposited and transmitted.

Failure to implement adequate receipting, posting, and depositing procedures, including comparing receipt records to deposits or transmittals, increases the risk that loss or misuse of monies received and errors will go undetected. In addition, the use of multiple receipting systems is cumbersome and reduces the assurance that all monies received are accurately recorded and accounted for properly.

### 1.3 Bank reconciliations and accounts, and liabilities

Bank reconciliations had not been performed for any of the Prosecuting Attorney's six bank accounts during the 2 years ended December 31, 2011. Three of these accounts were used by the former Prosecuting Attorney and have subsequently been closed by the current Prosecuting Attorney by turning over unidentified balances of \$28,035 to the County Treasurer in June 2012. On October 2, 2012, the Prosecuting Attorney prepared the paperwork and requested the County Treasurer issue a check to turn these unclaimed monies over to the state.

In addition, the former Prosecuting Attorney's trust bank account had an unidentified balance of \$833 as of June 30, 2012, and has not been closed. Also, the current Prosecuting Attorney opened a bank account in January 2011, but subsequently changed depository banks and opened another bank account in July 2011. This initial bank account had a balance of \$2,270 as of December 31, 2011, which consisted of eight outstanding checks issued between January and May 2011.

Further, a monthly list of liabilities for the bank account currently in use by the Prosecuting Attorney is not prepared and reconciled to the cash balance. At our request, the Prosecuting Attorney's office prepared a list of liabilities as of December 31, 2011, the total of which equaled the cash balance of \$2,402.

To ensure all differences between the bank and book balances are noted in a timely manner, bank reconciliations should be performed monthly. To reduce the risk of loss, theft, or misuse of funds, inactive bank accounts should be closed and outstanding checks should be followed up on timely. Regular identification of liabilities and reconciliation to the cash balance are necessary to ensure records are in balance and sufficient cash is available for the payment of all liabilities.

### 1.4 Disbursements

Errors in disbursing restitution, delinquent taxes, and fees occurred, but were not detected due to posting errors, receipting problems, and the lack of proper month-end bank and liabilities reconciliation procedures. For example, a \$500 receipt was recorded twice in the computerized accounting



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system (as noted above) and as a result, \$1,000 was disbursed in restitution and fees when only \$500 was received. In another example, a \$735 receipt was received to pay for fees related to a restitution case; however, these monies were disbursed to victims in error.

Additionally, monies received for restitution or delinquent tax payments were not always disbursed in a timely manner. For example, a delinquent tax payment of \$99 received in December 2011, had not been disbursed to the Department of Revenue (DOR) as of August 1, 2012. Numerous instances were noted where restitution payments were held for long periods of time before being disbursed to victims. Further, some fees collected were not disbursed monthly to the County Treasurer. For example, a total of \$252 in fees collected in June, August, September, October, and December 2011, had not been turned over to the County Treasurer as of July 2012.

The Prosecuting Attorney should take steps to review receipt and disbursement information to ensure all amounts received have been properly disbursed to victims. Timely disbursements of restitution, delinquent taxes, and fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner.

### 1.5 Tracking procedures

The Prosecuting Attorney's office does not have adequate procedures in place to account for and monitor the disposition of all bad checks submitted to the office for collection. Bad check complaint forms submitted by merchants when bad checks are turned over to the Prosecuting Attorney for collection are not assigned a sequential tracking number. Information from the complaint form is entered into the computer system and the complaint form is filed with other complaint forms processed. Without a tracking procedure, there is no assurance all bad check complaint forms are entered into the computer system.

To ensure bad checks are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received. This number should be used to track the status and disposition of the corresponding bad check.

### Similar conditions previously reported

Similar conditions to sections 1.1, 1.2, 1.3, and 1.4 were noted in our prior audit report.

### Recommendations

The Prosecuting Attorney:

- 1.1 Adequately segregate accounting duties or ensure supervisory reviews of accounting records are performed and documented, require someone independent of the accounting system to review



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and approve all adjustments, and ensure adequate documentation is retained to support such adjustments.

- 1.2 Ensure all monies received are recorded promptly in the computerized accounting systems, dates are entered accurately, a complete record of all monies received is maintained, the numerical sequence of receipt slips issued is accounted for properly, and records are reconciled to deposits and transmittals. In addition, the Prosecuting Attorney should ensure monies are deposited timely and intact.
- 1.3 Perform monthly bank reconciliations, follow up on old outstanding checks, dispose of unclaimed monies in accordance with state law, and close inactive bank accounts. In addition, the Prosecuting Attorney should prepare a list of liabilities and reconcile the list to the cash balance monthly. Any differences should be investigated and resolved.
- 1.4 Review receipt and disbursement information to ensure all amounts paid have been properly disbursed to victims, disburse amounts received for restitution and delinquent taxes in a timely manner, prepare accurate monthly reports of fees, and disburse fees to the County Treasurer monthly.
- 1.5 Develop procedures and records that provide sufficient information to track the receipt and disposition of all bad check complaints.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 1.1 *Accounting duties in the Prosecuting Attorney's Office have been adequately segregated in that the legal assistant posts payments made for restitution, bad checks, and delinquent taxes to the appropriate computerized case management system when said payments are made; the administrative assistant then makes daily deposits of the payments; and the office manager then inputs the daily deposits into the office's computerized accounting system. All adjustments to the computerized case management systems are now requested by the administrative assistant, approved by the Prosecuting Attorney, performed by the office manager, and finally, reviewed and approved by the Prosecuting Attorney a second time. Adjustments are made for various reasons, including but not limited to: defendant paid vendor directly, unable to prosecute due to lack of information on the check and complaint form, and writing off amounts as uncollectible in the case of death of the defendant. All documentation regarding adjustments to the computerized systems*



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*is maintained, including all documents the Prosecuting Attorney signed.*

- 1.2 All monies are currently recorded and posted in the appropriate computerized case management system as soon as the monies are received by the legal assistant. A receipt is given to the defendant upon receipt of the payment. A copy of the receipt is maintained in the Prosecuting Attorney's Office and reviewed for accuracy and attached to the appropriate restitution file by the administrative assistant. Monthly reports are reviewed by the Prosecuting Attorney to ensure that the receipts issued are in numerical sequence and accounted for. The administrative assistant deposits monies received daily at 2:00 pm, in accordance with an agreement with the depository bank. The office manager reviews deposit slips on a daily basis; reconciles the daily deposit slips with the daily receipts; and enters daily deposits into the computerized accounting system. The Prosecuting Attorney checks with the office manager and legal assistant on a daily basis to ensure that a daily deposit was performed.*
- 1.3 A monthly bank reconciliation is currently performed every month upon receipt of the monthly bank statement from the depository bank, which is normally between the twelfth and eighteenth of the month. The reconciliation is performed by the office manager and administrative assistant. The reconciliation is reviewed and approved by the Prosecuting Attorney and signed off on by the Prosecuting Attorney. Cleared checks and deposits are reconciled along with any outstanding checks to ensure that the balance reflected in the computerized software system matches the monthly bank statement after all liabilities are accounted for. A list of outstanding checks is maintained by the computerized accounting system. On June 30th of each year, all outstanding checks for the previous calendar year will be reported as unclaimed funds in accordance with the recommendations and guidelines set forth by the Missouri Treasurer's Office. The Prosecuting Attorney's Office is currently reconciling the bank account of the prior administration so that the last inactive account can be closed. All other inactive accounts are closed, including inactive accounts from the two prior administrations.*
- 1.4 Currently, after the monthly reconciliation is performed and the balance is confirmed correct, monthly restitution checks are prepared and mailed to the appropriate victim/merchant. Checks for monthly fees are also prepared for the McDonald County Treasurer. The monthly checks are mailed to victim/merchant and checks for fees are delivered to the Treasurer not later than the*





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*Friday preceding the fourth Wednesday of the month. All checks submitted during any given month are for payments/fees collected during the previous calendar month. The office manager and administrative assistant ensure that all monies received during a calendar month are submitted to victim/merchant/Treasurer during the following month. A monthly report for fees is prepared each month and reviewed by both the administrative assistant and office manager for accuracy before preparing checks. Prior to preparing checks the Prosecuting Attorney reviews all reports, bank statements, and computerized accounting system reports to ensure that the reconciliation is correct and also the monthly amount to be disbursed is correct. After checks are prepared, the Prosecuting Attorney reviews all checks for accuracy prior to the checks being mailed or delivered. All documents reviewed and signed by the Prosecuting Attorney are maintained.*

- 1.5 *Currently, upon receipt of a bad check complaint, a number is assigned to that particular bad check complaint form. Each bad check complaint is tracked through a spreadsheet with the following details: date received, check number, name of suspect/defendant, number assigned to bad check complaint form, date ten day letter sent, date ten day letter paid, disposition of complaint, date of disposition of complaint. If criminal charges are charged based on the bad check complaint form, the case is also tracked through a computerized case management system; furthermore, the original number assigned to the bad check complaint form will be inputted into the computerized case management system for that particular case once the software is updated by the software company. The update has been requested. The spreadsheet is reviewed monthly by the Prosecuting Attorney.*

## **2. Sheriff Controls and Procedures**

The Sheriff paid himself mileage reimbursements from accountable fees, accounting duties are not adequately segregated, and controls and procedures over the Sheriff's bank accounts and seized property need improvement.

The Sheriff's office collected civil and criminal process fees, bonds, conceal and carry weapon permits, and other miscellaneous fees totaling approximately \$242,000 during the year ended December 31, 2011, and \$557,000 during the year ended December 31, 2010.

### **2.1 Sheriff mileage**

The Sheriff drives a personal vehicle when serving civil and criminal papers and paid himself \$13,080 from accountable fees for mileage to serve papers during the 2 years ended December 31, 2011. As a result, these disbursements were not approved by the County Commission. In addition, documentation of actual miles driven to serve the papers was not maintained



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by the Sheriff. The Sheriff pays himself a set \$20 mileage fee for every paper served. Our review of papers served during November 2011, showed the Sheriff was paid \$20 in mileage fees for each of 32 paper services (or \$640) when he should have only been paid mileage fees for 24 paper services because some papers were served in the same location on the same day or no mileage was incurred. Further, while the Sheriff paid himself \$640 in mileage fees for November 2011, we determined the mileage reimbursement would have been only \$244 using the rate prescribed by the Internal Revenue Service (IRS) and our estimate of miles driven based upon the location of papers served.

Section 57.280, RSMo, which relates to civil cases, requires the Sheriff to pay all fees collected into the county treasury and for the Sheriff to be reimbursed for each mile actually traveled to serve any summons, writ, subpoena, or other order of the court. Section 57.430, RSMo, which relates to criminal cases, allows reimbursement for actual miles traveled in serving warrants or any other criminal process and requires the Sheriff to file accurate and itemized mileage statements, showing in detail the miles traveled, the date of each trip, the nature of the business engaged in during each trip, and the places to and from which he has traveled, and the rate for mileage reimbursement be equal to the rate prescribed by the IRS.

### 2.2 Segregation of duties

Accounting duties are not adequately segregated. The two administrative assistants both receive, record, deposit, and disburse monies, and reconcile the bank accounts; and none of these duties are properly segregated. The Sheriff does not perform a review of the accounting records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent and supervisory review of the records.

### 2.3 Inmate liabilities

A monthly list of liabilities for the inmate bank account is not prepared and reconciled to cash balances. At our request, the Sheriff's office prepared a list of liabilities as of December 31, 2011, which totaled the available cash balance of \$276. A list of liabilities should be prepared monthly and reconciled to the available cash balance to ensure records are in balance and sufficient funds are available for payment of all liabilities.

### 2.4 Dormant bank accounts

The Sheriff has two dormant bank accounts which should be closed.

- The old civil account had a balance of \$208,473 as of December 31, 2011. This balance consisted of 11 checks which had been outstanding over a year.



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- The old inmate account had a balance of \$2,377 as of December 31, 2011. This balance consisted of 113 checks which had been outstanding over a year.

Maintaining dormant accounts increases the risk of loss, theft, or misuse of funds. The Sheriff's office should attempt to distribute the funds held in dormant bank accounts, dispose of any unclaimed funds in accordance with state law, and close the accounts.

### 2.5 DARE bank account

A Sheriff's deputy, who resigned in February 2012, maintained and continues to maintain a Drug Abuse Resistance Education (DARE) bank account for donations. According to bank records, receipts of \$14,488 and disbursements of \$13,596 were processed through this account during the 2 years ended December 31, 2011.

- There is no statutory authority allowing the Sheriff or his deputies to maintain this account outside the county treasury. Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. In addition, it is unclear why the Sheriff allows a former deputy to continue to maintain this account.
- Receipt slips are not issued and other records of donations received are not maintained. The only record of monies received is deposit slips. Receipt slips should be issued and a record of all donations received should be maintained to establish an adequate audit trail and reduce the possibility of loss, theft, or misuse of funds.
- Adequate supporting documentation for some disbursements was not retained. Documentation was not retained for 19 payments totaling \$3,591 during the 2 years ended December 31, 2011. Some of these checks were written to local gas stations, restaurants, and hotels. All disbursements should be supported by a vendor invoice to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.
- Monthly bank reconciliations are not performed, and the check register balance was not accurately maintained. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner.

### 2.6 Seized property

Adequate controls over seized property have not been established. While a computerized list of seized property is maintained, it is not complete or accurate, and periodic inventories of property on hand are not conducted. For example, of five items reviewed, which were stored in the seized property storage area, one was not included on the computerized list. Also, of five items reviewed that were on the computerized list, one could not be



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located or was not on hand in the seized property storage area. Additionally, several items in the seized property storage area have been held for a long period of time.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. Accurate and complete inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, are necessary to ensure all items are accounted for properly. Periodic inventories should also be performed and compared to the list of seized property to ensure seized property is accounted for properly. Section 542.301, RSMo, provides guidance for the disposition of unclaimed seized property. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft.

### Similar conditions previously reported Recommendations

Similar conditions to sections 2.1, 2.2, 2.5. and 2.6 were noted in our prior audit report.

The Sheriff:

- 2.1 Turn over all fees to the County Treasurer on a monthly basis. In addition, the County Commission should require the submission of detailed and accurate mileage claims by the Sheriff, review the claims for reasonableness, and reimburse actual mileage driven based upon the mileage rate prescribed by the IRS. The County Commission should also evaluate the cost effectiveness of providing a county owned car to the Sheriff, compare actual reimbursements made to reimbursement amounts based on actual miles driven, and pursue reimbursement of any overpayments.
- 2.2 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 2.3 Prepare a list of liabilities for the inmate bank account and reconcile the list to the cash balance monthly. Any differences should be investigated and resolved.
- 2.4 Follow up on outstanding checks, dispose of unclaimed monies in accordance with state law, and close the dormant accounts.
- 2.5 Turn all DARE monies over to the County Treasurer, ensure receipt slips or other records of donations received are maintained, and ensure adequate supporting documentation of disbursements is retained.



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- 2.6 Maintain complete and accurate seized property inventory records. The Sheriff should perform a periodic inventory of seized property, compare it to the computerized list, and investigate any differences. The Sheriff should also make timely and appropriate dispositions of seized property.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 2.1 *I have no response.*
- 2.2 *I will pass this recommendation on to the new Sheriff, who will take office in January 2013, to address this issue.*
- 2.3 *This has been implemented.*
- 2.4 *This recommendation will be implemented before the end of the year.*
- 2.5 *This recommendation will be passed on to the new Sheriff, who currently holds this account.*
- 2.6 *My office is working to implement this recommendation.*

*The County Commission provided the following written response:*

- 2.1 *We have no control over an elected Sheriff. These reports have been requested, and we are recommending the Sheriff adhere to your recommendation that overcharges were made and that reimbursements are made. We will discuss with legal counsel and implement suggestions wherever possible.*

## 3. Disbursements

As similarly noted in our prior audit reports, controls and procedures over bidding and fuel use need improvement.

### 3.1 Bidding

Bids were not solicited for numerous purchases made during 2011 and 2010 including:

Item or Service	Cost
Road graders (2011)	\$ 123,000
Bridge construction (2010)	110,461
Grader blades (2011 and 2010)	52,365
Building repairs (2010)	49,920
Road and bridge equipment repairs and maintenance (2011 and 2010)	40,350
Concrete (2011 and 2010)	32,285
Law enforcement vehicle maintenance (2010)	31,899
Road and bridge equipment (2010)	15,118
Bridge guard rails (2010)	11,438
Transmission repairs (2010)	10,492



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Additionally, while county officials indicated state bids were utilized for three vehicles costing \$61,655 and phone bids were obtained for bulk fuel for the road and bridge department costing \$189,127, bridge drilling services costing \$12,157, and rebar costing \$15,113, the county did not retain documentation of the bids to show compliance with state law. Also, according to county officials, the purchases of computer software for the Assessor's office costing \$19,135 and the Recorder's office costing \$19,443, were sole source purchases; however, this was not documented at the time of purchase. Further, the County Commission did not document reasons for not selecting the low bid for the purchase of ten global positioning systems (GPS) costing \$15,840.

Section 50.660, RSMo, provides bidding requirements and procedures. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria, including sole source procurement, should be retained to demonstrate compliance with state law and support decisions made.

### 3.2 Fuel use records

Controls and procedures over fuel use and purchases need improvement. According to accounting records, the county purchased fuel for the road and bridge department costing \$216,627 and the Sheriff's office costing \$161,629 during the 2 years ended December 31, 2011. The road and bridge department and the Sheriff's office purchase unleaded fuel at local gas stations. The road and bridge department also purchases bulk diesel fuel from a local vendor. The county has two bulk diesel fuel tanks located at road and bridge department buildings and six bulk diesel fuel tanks located at employee residences. The county utilizes a mobile tank to haul fuel from the tanks at the road and bridge department buildings to the tanks located at employee residences.

- Fuel use logs are not maintained for road and bridge department equipment and vehicles. As a result, fuel use is not reconciled to fuel purchases. While a log of fuel pumped from the tanks located at the road and bridge department buildings is maintained and reconciled to fuel purchases, a log of fuel pumped and used from the other tanks is not maintained.
- While a Sheriff's deputy indicated he reviewed fuel bills and compared them to mileage logs maintained on employee timesheets, no evidence of this review was documented. In addition, mileage logs were not always accurate and complete. For example, during the period of June 25 to July 24, 2011, 3 of 14 deputies assigned a vehicle did not record odometer readings, mileage, or fuel purchases on their timesheet. In



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addition, beginning and ending odometer readings did not always match from day to day, some odometer readings were left blank, and an employee recorded mileage on a day vacation leave was taken.

Further, the Sheriff has a fuel card with a personal identification number (PIN), but the Sheriff drives his own personal vehicle, and he indicated he does not use this fuel card. However, 1,031 gallons of fuel totaling \$2,721 were purchased with this fuel card during the 2 years ended December 31, 2011. The Sheriff could not provide an explanation for the use of his PIN to make fuel purchases. As a result, there is no assurance this fuel was used appropriately.

Procedures for reviewing fuel use and reconciling use to fuel purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements. In addition, mileage and fuel use logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. Failure to account for fuel purchases could result in theft and misuse going undetected.

## Recommendations

The County Commission:

- 3.1 Ensure bids are solicited for all applicable purchases in accordance with state law and sufficient documentation is maintained.
- 3.2 Require fuel use logs be maintained for all county-owned vehicles and equipment, and ensure logs are reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be investigated.

## Auditee's Response

*The County Commission provided the following written responses:*

- 3.1 *We have always received bids, by mail or phone, but we have begun using bid forms to document any bids received.*
- 3.2 *We will implement these recommendations.*

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## 4. Payroll Controls and Procedures

Controls and procedures over payroll disbursements need improvement.

### 4.1 Personnel policies

The county does not compensate some employees for overtime in compliance with its overtime policy and Fair Labor Standards Act of 1938 (FLSA) requirements. In addition, the county has not always followed its own personnel policies regarding employee leave and has not adopted policies regarding unearned leave.





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- Nonworking time (vacation, sick leave, compensatory time taken, and holidays) is included in total hours worked when determining the amount of overtime earned by employees, which is not allowed by the county personnel policy and not required by the FLSA. The county is allowing employees to accrue more compensatory time than required as a result of using nonworking time in its calculations of overtime earned. For example, a Sheriff's office employee accrued 164 additional hours during the year ended December 31, 2011, as a result of using nonworking time in the calculation of overtime earned.
- In January 2011, one employee was allowed to carry forward 144 vacation hours and another employee was allowed to carry forward 162 vacation hours when the maximum allowed by the county personnel policy was only 80 hours. The county personnel policy states employees with 1 to 5 years continuous service may accrue vacation leave up to a maximum of 10 days per 12 month period and employees with 10 years of continuous service may accrue vacation days up to a maximum of 15 days, and any days over must be taken or will be forfeited.
- The county Emergency Management (EM) Director has multiple duties and compensation rates, works over the standard 40 hour work week, and is not paid overtime as required by county policy and the FLSA. For example, during the month ended March 31, 2011, the EM Director worked 153 hours as EM Director and was paid a salary of \$2,667 and worked an additional 63 hours on litter control and was paid \$11 per hour (\$693). Because the county did not combine hours worked each week for both duties, the EM Director was not compensated at time and a half for actual hours worked in excess of 40 hours each work week. The county personnel policy and the FLSA require any time worked over 40 hours in a week (for non-emergency personnel) to be paid at time and a half.
- The county personnel policy does not address the use of unearned leave and in February 2011, a county employee took 40 hours of compensatory leave prior to earning the leave.

To ensure employees are treated equitably and are properly compensated, strict compliance with personnel policies is necessary and the personnel policy should be updated to address the use of unearned leave.

### 4.2 Reviews

An adequate review of employee timesheets, leave records, and other payroll records was not performed by the County Clerk's office or by the employees' supervisory officials, increasing the potential for errors to go undetected. In addition, timesheets were not signed by some employees and were not always reviewed or signed by supervisors to ensure accuracy.



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Timesheets and records of compensatory, vacation, and sick leave for Sheriff's office employees are not filed with the County Clerk until the end of the calendar year. The County Clerk prepares payroll checks from a timesheet and leave record summary report prepared by the Sheriff's Chief Deputy each month; however, the summary report was not always accurate. For example, in July 2010, the Chief Deputy failed to record 16 hours of sick leave used by himself on the summary report. In another example, 40 hours of vacation leave taken by a Sheriff's office employee in April and May 2011 was not included on the summary report. As a result, the County Clerk's leave records for these employees were overstated. In addition, several discrepancies were noted between the amount of leave taken on timesheets and the related leave records for other county employees.

To ensure the accuracy of time worked and leave taken, timesheets should be reviewed and signed by the employee and the employee's supervisor to indicate their agreement to the actual time worked and leave taken. In addition, timesheets and leave records should be filed with the County Clerk monthly and reviewed for accuracy.

### Similar conditions previously reported Recommendations

Similar conditions were noted in our prior audit report.

The County Commission:

- 4.1 Ensure compliance with county overtime and vacation leave policies and the FLSA. The County Commission should also revise the county personnel policy to address the use of unearned leave.
- 4.2 Ensure adequate reviews of timesheets, leave records, and other payroll records are performed. The County Commission should also ensure timesheets are signed by the employee and their supervisor, and require Sheriff's employees to file timesheets and leave records with the County Clerk's office monthly.

### Auditee's Response

*The County Commission provided the following written responses:*

- 4.1 *We will comply with county and federal regulations. We will review all payroll and time cards for accuracy and reasonableness, and we will revise the county handbook to make clear the procedures that allow the employee to accrue overtime.*
- 4.2 *We will continue to review all available timesheets and request time records be filed with the County Clerk's office.*



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## 5. Property Tax System Controls and Procedures

As similarly noted in our prior audit reports, controls and procedures over the property tax system need improvement. As a result of the significant control weaknesses identified, there is less assurance property tax monies have been accounted for properly. For the 2 years ended February 29, 2012, property taxes charged to the County Collector totaled approximately \$13 million annually.

### 5.1 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the County Assessor. A review of the tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to prepare and review the tax books and test individual tax statement computations may result in errors, irregularities, or misuse going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected.

### 5.2 Review of activity

In addition to not preparing or testing the accuracy of the tax books, neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, and misuse of property tax monies, and less assurance the monthly and annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable to the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

### 5.3 Aggregate abstracts

The land and personal, railroad and utility, and back tax aggregate abstracts were not prepared for the 2011 and 2010 tax year in a timely manner. The land and personal and railroad and utility aggregate abstracts were not prepared until May 21, 2012, for 2011, and June 24, 2011, for 2010, although the information needed to prepare these aggregate abstracts was available at the beginning of November. The back tax aggregate abstracts



## McDonald County Management Advisory Report - State Auditor's Findings

were not prepared until May 23, 2012, for 2011, and July 5, 2011, for 2010, although the information needed to prepare the back tax aggregate abstract was available at the beginning of March. In addition, the land and personal tax aggregate abstracts for the 2011 and 2010 tax years were incorrect and reported the valuation and tax for railroad and utility. Section 137.295, RSMo, provides for the County Clerk to prepare these reports and forward them to the DOR and State Tax Commission (STC) upon completion of current and delinquent tax books.

**5.4 Additions and abatements** While the County Commission and County Clerk review and approve court orders for additions and abatements monthly, a comparison of the initial addition and abatement information prepared by the County Assessor and the addition and abatements entered into the property tax system by the County Collector is not performed. In addition, the County Collector, who collects property taxes, should not have access to the property tax system to make changes throughout the tax year. We compared initial addition and abatement information prepared by the County Assessor to amounts recorded in the property tax system for ten additions and abatements made during the period October 2011 to January 2012, and noted differences for two of the ten items reviewed. Reasons for the differences could not be determined. Had a comparison been performed between the initial addition and abatement information and the actual additions and abatements recorded in the property tax system, these errors may have been detected and resolved.

Sections 137.260, RSMo, assigns responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders, along with a comparison of initial addition and abatement information to actual changes made to the property tax system, would help ensure changes are proper.

**5.5 Outlawed taxes** The County Commission does not approve personal property taxes outlawed each year. Taxes totaling approximately \$68,000 were outlawed and removed from the tax book by the County Collector during the 2 years ended February 29, 2012, without County Commission approval. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under the order of the County Commission.

## Recommendations

- 5.1 The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be adequately documented.



McDonald County  
Management Advisory Report - State Auditor's Findings

- 5.2 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.
- 5.3 The County Clerk prepare and file accurate tax aggregate abstracts with the DOR and STC in a timely manner.
- 5.4 The County Clerk and the County Commission restrict access to the property tax system to ensure the County Collector cannot make changes. In addition, the County Clerk and County Commission should ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed.
- 5.5 The County Collector work with the County Commission to establish proper controls over property taxes outlawed each year.

## Auditee's Response

*The County Clerk provided the following written response:*

*5.1-5.4 I will implement these recommendations.*

*The County Commission provided the following written response:*

*5.2, 5.4,  
& 5.5 We have implemented these recommendations.*

*The County Collector provided the following written response:*

*5.5 I will take the printed report to the County Commission each year before they are outlawed so they can review and approve the year of personal property taxes to be outlawed.*

## 6. County Collector Commissions and Withholdings

The County Collector did not properly calculate some commissions or withholdings for the 2 years ended February 29, 2012. The County Collector was unaware of these errors until we brought them to her attention.

- The County Collector did not withhold a 1.5 percent commission on current tax collections, a 1 percent commission on delinquent and railroad and utility tax collections, or the 1.5 percent assessment withholding on current, delinquent, and railroad and utility tax collections related to a fire district and surtax. As a result, approximately \$3,900 and \$6,600 was under withheld from fire district and surtax collections and is owed to the county (\$5,200) and the Assessment Fund (\$5,300).



McDonald County  
Management Advisory Report - State Auditor's Findings

- The County Collector incorrectly withheld 1.5 percent commission on the school portion of all railroad and utility taxes collected when only 1 percent was allowed, resulting in approximately \$7,400 over withheld from school districts during the 2 years ended February 29, 2012.

Sections 52.250, 52.260, and 137.720, RSMo, establish commission and withholding rates for the various tax collections noted above.

## Recommendation

The County Collector recalculate current and delinquent tax commissions and withholdings distributed, and correct distributions. The County Collector should also ensure future commission and withholding calculations are accurate.

## Auditee's Response

*The County Collector provided the following written response:*

*I will contact the fire district and make arrangements to withhold past amounts due from the fire district. I will recalculate past commissions and make corrections to amounts distributed in December 2012. The 1.5 percent commission will be withheld on future fire district and surtax collections. I have spoken with the person that enters this information into our program, and he said the corrections would be made on the November report. The 1.5 percent commission that was withheld on the school portion of railroad and utility taxes has been corrected to 1 percent. I will ensure future commission and withholding calculations are accurate.*

## 7. County Commission Meeting Minutes

While the County Commission and County Clerk indicated closed session meetings were held, open meeting minutes did not indicate any meetings were closed by the County Commission, and minutes for closed session meetings were not maintained. Without minutes of closed sessions, there is no record of the discussions held or support for the decisions made, and less assurance to the public that various statutory provisions are followed.

The Sunshine Law, Chapter 610, RSMo, requires the County Commission to document the specific reasons for going into closed sessions and minutes be kept for all closed meetings. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

A similar condition was noted in our prior audit report.

## Recommendation

The County Commission ensure specific reasons for closing a meeting are documented in open meeting minutes and minutes are maintained for all closed session meetings.



McDonald County  
Management Advisory Report - State Auditor's Findings

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**Auditee's Response**

*The County Commission provided the following written response:*

*We will implement this recommendation.*

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# McDonald County

## Organization and Statistical Information

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McDonald County is a county-organized, third-class county. The county seat is Pineville.

McDonald County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 90 full-time employees and 10 part-time employees on December 31, 2011.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Keith Lindquist, Presiding Commissioner	\$	30,380
Sam Gaskill, Associate Commissioner		28,380
Ronnie Walker, Associate Commissioner		28,380
Kenny Underwood, Recorder of Deeds		43,000
Barbara Williams, County Clerk		43,000
Jonathan Pierce, Prosecuting Attorney		109,366
Robert M. Evenson, Sheriff		48,000
Joye Helm, County Treasurer		43,000
Tracy Dowd, County Coroner		15,000
Donna Underwood, Public Administrator		43,000
Brenda Gordon, County Collector, year ended February 29,	43,000	
Laura Pope, County Assessor , year ended August 31,		43,000
Travis Green, County Surveyor (1)		

(1) Compensation on a fee basis.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

McDonald County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.





# Thomas A. Schweich

Missouri State Auditor

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## Knox County



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December 2012  
Report No. 2012-144

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Knox County

Financial Condition	As noted in our prior audit, the General Revenue Fund and the Special Road and Bridge Fund remain in poor financial condition. Disbursements have generally exceeded receipts for both funds and are projected to do so again in fiscal year 2012. The county made some poor financial decisions which impacted the county's financial condition.
Property Taxes	As noted in our prior audits, procedures over property tax additions and abatements are not properly segregated or monitored, and the County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Clerk does not maintain an account book with the County Collector, and there are no procedures to review the accuracy of the County Collector's monthly or annual settlements. The method of payment for property tax receipts is not recorded in the property tax system.
Sales Taxes	The ballots, court orders, and county procedures supporting the capital improvement sales tax do not comply with state law. The county violated state law when it attempted to pass a second law enforcement sales tax twice in less than 12 months, and the tax would have exceeded the lawful limit if it had passed. The overall county sales tax records are insufficient.
Property Tax Levy Reductions	The county made several errors when calculating and reporting property tax levy reductions, which negatively impacted the county's general revenue property tax receipts. The county misclassified a 2010 general revenue property levy tax reduction resulting in less property tax revenues, and the 2011 property tax reduction was not sufficient to offset sales taxes received.
County Procedures	As noted in prior audits, the county lacks adequate controls and procedures over fuel and vehicle use, and it does not maintain centralized records of leave balances for all county employees. Compensatory time for Sheriff's department employees is not calculated in accordance with county policy. The county was required to pay \$4,160 because it failed to timely protest the former County Clerk's unemployment claim.
Road and Bridge Materials and Receipting Procedures	As noted in prior audits, the county does not adequately document or monitor monies due from material sales and rock purchases, making it difficult to ensure the county is receiving all monies it is due and paying only for rock actually received. The County Commission and County Clerk's receipting procedures are not adequate.

Prosecuting Attorney's Controls	Accounting duties are not adequately segregated, and the Prosecuting Attorney does not provide adequate oversight of financial functions and records. Receipts are not always deposited timely, receipt slips are not always issued, and accounting records are not adequately reconciled to deposits. Bad check and court-ordered restitution fees are not disbursed to the County Treasurer timely, and checks are not always issued in numerical sequence. As noted in our prior audit, liabilities have not been identified and reconciled with cash balances, and some restitution receipts had not been disbursed at the time of our review. The Prosecuting Attorney frequently reduces charges filed on traffic tickets in exchange for a defendant's donation to the county, but this does not appear to be allowed by Missouri law.
Sheriff's Controls	A Sheriff's deputy was terminated and arrested for theft of seized property, but the Sheriff has not changed seized property procedures. Audit staff identified numerous control weaknesses in its review of receipts and deposits, though most weaknesses were resolved when these duties were assigned to the Sheriff's current bookkeeper.
Computer Controls	As noted in prior audits, passwords are not required to log on to some county computer systems, and passwords for some computer systems are not changed on a periodic basis. None of the county computers have security controls to detect or prevent incorrect log-on attempts, and some county officials do not store backup data at an off-site location.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	Knox County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Knox County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Knox County

We have audited certain operations of Knox County in fulfillment of our duties under Section 29.230, RSMo. In addition, Casey-Beard-Boehmer PC, Certified Public Accountants, was engaged to audit the financial statements of Knox County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Knox County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kim Spraggs, CPA
In-Charge Auditor:	Tina Disney, M.Acct.
Audit Staff:	Emily Bias
	Albert Borde-Koufie, MBA
	Peter Studer

# Knox County

## Management Advisory Report

### State Auditor's Findings

#### 1. Financial Condition

As noted in our prior audit, the financial condition of the General Revenue (GR) Fund and the Special Road and Bridge (SRB) Fund remains poor. The following tables reflect actual receipts, disbursements, and ending cash balances of these funds for the last 3 years and anticipated amounts for 2012, according to the approved county budgets and audited financial statements.

General Revenue Fund	2012 Budgeted*	2011 Actual**	2010 Actual**	2009 Actual*
Beginning Balance, January 1	\$ 141,721	7,728	49,705	76,708
Receipts	685,081	809,305	709,480	670,035
Disbursements	736,607	675,312	751,457	697,038
Ending Balance, December 31	\$ 90,195	141,721	7,728	49,705

Special Road and Bridge Fund	2012 Budgeted*	2011 Actual**	2010 Actual**	2009 Actual*
Beginning Balance, January 1	\$ 337,670***	454,815	216,241	236,135
Receipts	1,208,825	1,572,905	1,269,737	1,175,705
Disbursements	1,522,144	1,661,404	1,031,163	1,195,599
Ending Balance, December 31	\$ 24,351	366,316	454,815	216,241

\* Amounts were obtained from county budget documents.

\*\* Amounts were obtained from audited financial statements.

\*\*\* The 2012 beginning balance differs from the 2011 ending balance due to audit adjustments to 2011 receipts in the county's financial statement audit.

GR Fund and SRB Fund disbursements have generally exceeded receipts and are projected to again exceed receipts during 2012. The County Commission indicated it is aware of the concern and is continually trying to reduce disbursements and maximize receipts. However, we noted several instances where the county made poor financial decisions which impacted the county's financial condition and showed a disregard for statutory provisions and restricted funds.

- The county incorrectly certified a 2010 general revenue property tax reduction resulting in a reduced tax rate ceiling in 2011. We estimate the county has collected \$46,000 to \$79,000 less in 2011 property taxes than it would have if the reduction had been properly classified (see MAR finding number 4).
- During 2011, in an effort to reduce GR Fund expenditures, most fuel for Sheriff's department vehicles was paid from the SRB Fund. However, Section 137.555, RSMo, restricts expenditures from the SRB Fund to improvement and maintenance of county roads and bridges. As a result, monies are due from the GR Fund to the SRB Fund.



## Knox County Management Advisory Report - State Auditor's Findings

- During 2010, the county began collecting donations to the GR Fund from defendants as a condition of reducing charges filed on traffic tickets; however, it appears the county lacks the authority to collect these funds (see MAR finding number 7). The county should be cognizant of this inappropriate funding source as future budgets are prepared.

In addition, in April and August 2010, the county attempted to pass a second 1/2-cent law enforcement sales tax. While an additional sales tax would have helped the county's financial condition, this tax would have violated state law (see MAR finding number 3).

It is essential the County Commission address the county's financial condition both in the immediate and long-term future. Reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of revenue, and closely monitoring county budgets are necessary to improve the county's financial condition. The County Commission should ensure all decisions regarding county finances comply with state laws.

### Recommendation

The County Commission perform long-term planning and closely monitor the county's financial condition and continue to take the necessary steps to improve the financial condition of the General Revenue Fund and Special Road and Bridge Fund. In addition, the County Commission should ensure compliance with state laws regarding restricted funds and transfers, and consider repaying the Special Road and Bridge Fund from the General Revenue Fund for Sheriff's department fuel costs.

### Auditee's Response

*The County Commission provided the following written response:*

*The Knox County Commission is constantly striving to improve the county's financial condition; however, this is becoming increasingly difficult given the ever increasing costs of necessary goods and equipment. We will continue to closely monitor the budget and take all the necessary steps to improve our finances while continuing to provide necessary services to the best of our abilities. The Knox County Commission will ensure future compliance with state law regarding restricted funds, and will consider repaying the Special Road and Bridge Fund for the Sheriff's department fuel costs.*

## 2. Property Taxes

Controls and procedures over the property tax system need improvement. For the 2 years ended February 29, 2012, property taxes collected by the County Collector totaled approximately \$4 million each year. As of June 2012, a new property tax system was being developed for the county.





## Knox County Management Advisory Report - State Auditor's Findings

**2.1 Additions and abatements** As similarly noted in our two prior audits, procedures over property tax additions and abatements are not properly segregated or monitored. Property tax additions and abatements totaled approximately \$215,000 during the year ended February 29, 2012, and \$322,000 during the year ended February 28, 2011.

The County Assessor prepares court orders for additions and abatements, the County Clerk approves the court orders, the County Collector posts the additions and abatements to the property tax system, and the County Commission approves an annual report of additions and abatements from the property tax system. A significant control weakness exists because the County Collector is responsible for collecting property taxes, approvals are only made annually, and there is no reconciliation of approved court orders to actual changes made to the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly segregated or monitored, and errors or irregularities could go undetected. Currently, the County Clerk is unable to post corrections to the property tax system because she lacks such access. While developing the new property tax system, consideration should be given to both limiting and providing system access, as appropriate, based on user needs and good internal controls.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders, along with an independent reconciliation of approved additions and abatements to corrections made to the property tax system, would help ensure changes are proper.

**2.2 Account book and annual settlements** Property tax collection activities of the County Collector are not adequately monitored. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy of the County Collector's monthly or annual settlements. As a result, there is less assurance property tax monies have been accounted for properly and the potential for loss, theft, or misuse to occur without detection is increased.

Section 51.150(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other record which summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records could also be used by the County Clerk and County



## Knox County Management Advisory Report - State Auditor's Findings

Commission to verify the County Collector's monthly and annual settlements.

### 2.3 Tax books

As similarly noted in several of our prior audits, the County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector prepares the tax books from the computer system and there is no independent review performed by the County Clerk. Because the County Collector is responsible for collecting property tax monies, good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books. Failure to perform reviews of the tax books by an independent person may result in errors or irregularities going undetected. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

### 2.4 Receipts

The method of payment (cash, check, or money order) for property tax receipts is not recorded in the property tax system. The County Collector indicated the property tax system lacks the functionality to record this information. The County Collector compensates for this system weakness by documenting the method of payment on the individual paid tax statements and on spreadsheets detailing each receipt and method of payment created when deposits are prepared, and reconciling the composition of receipts per the spreadsheets to the composition of deposits. While developing the new property tax system, the County Collector should work with the computer programmer to ensure the system provides for recording the method of payment for each receipt and the generation of a deposit report containing the composition of receipts. These enhancements would provide for the reconciliation of receipts recorded in the system to deposits and eliminate the need to prepare the spreadsheets.

## Recommendations

- 2.1 The County Commission and the County Clerk ensure procedures are adequately segregated and all property tax additions and abatements are properly and timely approved and monitored, and work with the computer programmer to design the new property tax system so the County Clerk can enter additions and abatements.
- 2.2 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy



## Knox County Management Advisory Report - State Auditor's Findings

and completeness of the County Collector's monthly and annual settlements.

- 2.3 The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with property tax amounts.
- 2.4 The County Collector work with the computer programmer to ensure the new property tax system provides for the recording of the method of payment for each receipt and the generation of a deposit report containing the composition of receipts.

## Auditee's Response

*The County Commission provided the following written responses:*

- 2.1 *At this time, the County Commission looks over and approves property tax additions and abatements on a monthly basis. We are currently working with our programmer to develop a program that allows the Clerk to enter additions and abatements.*
- 2.2 *The County Commission will comply with this recommendation.*

*The County Clerk provided the following written responses:*

- 2.1 *I have already implemented this. I am monitoring the abatements and additions by keeping an excel spreadsheet of these.*
- 2.2 *I have already implemented this. I am currently keeping an account with the Collector. I plan to balance with the Collector twice a year.*
- 2.3 *Presently, I enter the levies for the current year's tax book. I have implemented the procedure to check the Collector's computer calculation.*

*The County Collector provided the following response:*

- 2.4 *The mode of payment is now recorded in the new system. We will work with the computer programmer to include the mode and cash/check totals on the daily abstract of collections report.*

## 3. Sales Taxes

Various concerns related to county sales taxes were identified. For many years, the county has had four 1/2-cent sales tax levies: two general sales tax levies which do not expire, one of which has a property tax levy reduction requirement; a renewable 4-year capital improvement sales tax levy; and, a law enforcement sales tax levy which does not expire. For each of these sales taxes, the county collected a total of approximately \$285,000 during the 2 years ended December 31, 2011.



Knox County  
Management Advisory Report - State Auditor's Findings

### 3.1 Capital improvement sales tax

The ballots, court orders, and county procedures supporting the capital improvement sales tax do not comply with state law. Every 4 years since 1985, county voters have renewed the capital improvement sales tax levy, and the county deposits the related tax receipts into the SRB Fund.

Section 67.700, RSMo, allows counties to impose a sales tax for any capital improvement purpose designated by the county in a ballot submitted to voters, and requires the monies received from the sales tax be deposited in a separate fund and used solely for the designated capital improvement purpose. However, the April 2008 and 2012 ballots did not indicate the tax was a capital improvement tax or identify a capital improvement purpose, and incorrectly stated the sales tax was to be used "for the purpose of the General Revenue Fund." While the April 2012 court order correctly stated the sales tax was passed under Section 67.700, RSMo, the 2008 court order incorrectly cited Section 67.547, RSMo, a statute related to general sales taxes. Ballots and/or court orders previous to 2008 correctly indicated the tax was for road and bridge capital improvement purposes. Further, the county deposits the capital improvement sales tax receipts in the SRB Fund and does not separately account for receipts, disbursements, or balances of these monies. The County Clerk and County Commission indicated the April 2008 and 2012 ballots and court orders were written in error. As a result, the county submitted a ballot proposal to voters in August 2012 to clarify the purpose of the sales tax and voters approved the revised ballot which clarified the tax was for the purpose of road and bridge building, repair, maintenance, and general capital improvement.

Procedures should be implemented to ensure monies received from the capital improvement sales tax are tracked and spent in accordance with state law. In addition, the County Commission should consult with legal counsel regarding the ballot language supporting future sales taxes proposed to voters.

### 3.2 Law enforcement sales tax

In April and August 2010, the county attempted to pass a second 1/2-cent law enforcement sales tax levy. This additional levy would have exceeded the statutory maximum by 1/2-cent. In addition, the county violated state law when resubmitting the proposed tax to voters in August 2010. Section 67.582, RSMo, allows counties to impose a law enforcement sales tax of up to 1/2-cent, but prohibits counties from submitting a sales tax proposal to voters sooner than 12 months from the date of the last proposal. Since the law enforcement sales tax did not pass, the statutory maximum levy was not exceeded.

County officials indicated they attempted to pass the additional sales tax to help cover law enforcement expenses currently funded by the GR Fund and improve the county's financial condition; however, they were unaware of the statutory limits and requirements for law enforcement sales taxes. Prior to



## Knox County Management Advisory Report - State Auditor's Findings

submitting any future sales taxes to voters for approval, the county should research the statutory requirements for current and proposed sales taxes to ensure sales tax rates and proposal frequency comply with statutory provisions.

### 3.3 Sales tax records

County sales tax records are insufficient. County officials could not locate ballots or court orders supporting sales taxes voted on prior to 2010. At our request, the County Clerk obtained copies of these records from the Missouri Department of Revenue. In addition, the county does not maintain a summary record of various sales taxes imposed and collected. Such a record should include statutory authority, rates, effective and expiration dates, and property tax levy reduction and renewal requirements. Because of the lack of records, the county does not have the information necessary to ensure sales taxes are handled in accordance with state law.

Comprehensive records of county sales taxes, identifying all sales taxes and relevant details along with copies of related supporting documents (ballots, court orders), provide support should questions arise and for reference when developing ballots or considering the imposition of a new sales tax.

## Recommendations

The County Commission and County Clerk:

- 3.1 Implement procedures to ensure monies received from the capital improvement sales tax are tracked and spent in accordance with state law. In addition, the County Commission should consult with legal counsel regarding ballot language supporting future sales taxes proposed to voters.
- 3.2 Research the statutory requirements for current and proposed sales taxes and ensure sales tax levies do not exceed statutory limits prior to submitting any future sales tax proposals to voters for approval.
- 3.3 Maintain a comprehensive record of all county sales taxes and all supporting documents.

## Auditee's Response

*The County Commission and the County Clerk provided the following written responses:*

- 3.1
- &3.2 *Revenue from the capital improvement sales tax will be budgeted separately from the Special Road and Bridge Fund on the 2013 budget. We will seek legal counsel in the future to look over ballot language before placing any issue on the ballot.*
- 3.3 *This has been implemented.*



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## 4. Property Tax Levy Reductions

Errors in reporting and calculating property tax levy reductions negatively impacted the county's general revenue property tax receipts and compliance with property tax levy reduction requirements. Effective January 1, 1981, Knox County voters enacted a 1/2-cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected.

For 2008 through 2011, the county certified to the State Auditor's office, sales tax and voluntary reductions to general revenue property tax levies as follows:

	2011	2010	2009	2008
Tax rate ceiling	\$ .3341	.4239	.4239	.4273
Sales tax reduction	.0442	.0000	.1304	.1273
Voluntary reduction	.0000	.1264	.0000	.0000
Actual tax levy	\$ .2899	.2975	.2935	.3000

### 2010 reduction

The county incorrectly certified a 2010 general revenue property tax levy reduction to the State Auditor's office as a voluntary reduction rather than a sales tax reduction. In previous and subsequent years, the county reported these reductions as sales tax reductions, and the County Clerk indicated the 2010 reduction was incorrectly classified.

The error was made during a non-reassessment year (even year), resulting in a reduced tax rate ceiling during the subsequent reassessment year. The property tax rate ceiling in the subsequent year would have increased if the rollback classification error had not occurred. As a result, the amount of property taxes the county collected was significantly impacted. We estimate the county could have collected \$46,000 to \$79,000 more in 2011 property taxes if the 2010 property levy reduction had been properly classified. The County Clerk and Commission indicated they did not realize the impact of the error. After we brought these errors to the attention of the County Clerk, the County Commission held a public hearing and prepared a resolution to return the status of the reduction to mandatory instead of voluntary, and necessary corrections were made by the State Auditor's office to reinstate the county tax rate ceiling for 2012.

### 2011 reduction

Because the 2011 tax rate ceiling was significantly reduced, the county made only a small sales tax reduction to the actual property tax levy. As a result, the county's 2011 property tax levy reduction was not sufficient to offset sales taxes received by approximately \$26,500. While the county's minimum required property tax reduction for 2011 was approximately \$57,800, the actual reduction was only approximately \$31,300. The county's 2011 property tax reduction worksheet contains several errors and discrepancies, some of which could not be explained by County Clerk office personnel, and does not support the reductions and tax rates information reported to the State Auditor's office.



## Knox County Management Advisory Report - State Auditor's Findings

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. The county is required to estimate the annual property tax levy to meet a 50 percent reduction requirement, and certify to the State Auditor's office the annual property tax levy including the amount the levy is required to be reduced for sales tax collections, as well as any voluntary reductions. To ensure property tax levies are properly set and property tax levy ceilings are maintained, the County Clerk should ensure property tax levies are adequately reduced by 50 percent of sales tax revenue and property tax levy reductions are accurately classified when reported to the State Auditor's office.

### Recommendation

The County Commission and the County Clerk properly distinguish between sales tax and voluntary reductions on certified property tax levy forms and ensure property tax levies are adequately reduced by 50 percent of sales tax revenue as required by state law. In addition, the county should develop a plan to correct for the excess 2011 property tax collections.

### Auditee's Response

*The County Commission and the County Clerk provided the following written response:*

*This issue has been corrected and we will monitor this more closely in the future. We will consider adjusting for the excess property tax collections when we set future rates.*

## 5. County Procedures

Procedures related to fuel and vehicle use, employee leave records and compensatory time, and unemployment claims are in need of improvement.

### 5.1 Fuel and vehicle use

As noted in our two prior audits, improvement is needed in controls and procedures over fuel and vehicle use. Accounting records indicate fuel purchases for the road and bridge and Sheriff's departments totaled approximately \$150,000 in 2011 and \$125,000 in 2010.

The road and bridge department maintains two bulk fuel tanks and the Sheriff's department maintains one bulk fuel tank. These fuel tanks, which are located at the road and bridge department shed, are locked and metered; and gallons of fuel pumped are recorded on fuel use logs. The logs are submitted to the County Clerk's office for all road and bridge and Sheriff's department vehicles and equipment, but do not provide sufficient data and are not reviewed or reconciled to fuel purchase records. Fuel logs maintained by the Sheriff's department lacked some mileage information and are not maintained separately by vehicle. Fuel logs maintained by the road and bridge department did not contain mileage or hour information. Without sufficiently detailed fuel logs, the County Clerk's office is unable to effectively monitor fuel use and vehicle and equipment use. Failure to account for fuel purchases could result in loss, theft, and misuse going undetected.



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Knox County  
Management Advisory Report - State Auditor's Findings

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To ensure the reasonableness and propriety of fuel use and disbursements, procedures should be established to monitor fuel use and reconcile the amount of fuel used to fuel purchased and on hand. Complete and accurate mileage and fuel logs are necessary to support fuel charges and to document the appropriate use of vehicles and equipment.

## 5.2 Employee leave records and compensatory time

Controls over employee leave records and compensatory time need improvement.

### Centralized records

As noted in our three prior audits, centralized records of leave balances and leave used and earned are not maintained for all employees. The County Clerk records and tracks leave balances for all county employees, except employees of the Assessor's and County Collector's offices. While these employees record their leave balances on their timesheets submitted to the County Clerk's office, the County Clerk does not review the balances for accuracy and compliance with county policy. Without centralized leave records, the County Commission cannot ensure employee vacation, sick, and compensatory leave balances are accurate and in compliance with county policy.

### Compensatory time

The county does not calculate compensatory time for Sheriff's department employees in accordance with county policy. In October 2011, County Clerk personnel began incorrectly calculating compensatory time earned by Sheriff's department employees. These employees currently accrue compensatory time when they work more than 40 hours in a week; however, the county's policy requires law enforcement personnel to work more than 171 hours in a 28-day period before compensatory time is earned. We noted a Sheriff's deputy earned 34.5 hours of compensatory time from October 2011 through December 2011 based on working more than 40 hours in a week; however, if county policy had been followed, compensatory time earned would have been 6 hours. According to the County Clerk, procedures were changed due to a change in office personnel.

By not following county policy related to compensatory time, the county may be paying more than required resulting in a greater financial burden for the county. Although compensatory time is not paid out unless an employee leaves employment, employees are able to use the compensatory time in lieu of accumulated vacation and sick leave. Accurate compensatory time calculation procedures are necessary to ensure compliance with county policy and equitable treatment of county employees.





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### 5.3 Unemployment claims

The county failed to timely protest the former County Clerk's claim for unemployment benefits to the Missouri Department of Labor and Industrial Relations (DLIR), Division of Employment Security. The county was mailed notice of the claim on June 6, 2011, and was given a deadline of June 16, 2011, to protest the claim; however, the county submitted the protest to the DLIR on August 17, 2011. The DLIR concluded the county failed to timely protest the claim and lacked good cause to extend the time to file the protest. As a result, the county was required to pay the former County Clerk's unemployment claim totaling \$4,160.

To ensure the county does not incur unnecessary costs from unemployment benefit claims, procedures should be established to review and address claims on a timely basis.

### Recommendations

The County Commission and County Clerk:

- 5.1 Require complete mileage and fuel logs be maintained for the road and bridge and Sheriff's departments, and these logs be reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be investigated.
- 5.2 Maintain centralized leave records for all county employees, and the County Commission ensure Sheriff employees accrue compensatory time in accordance with county policy.
- 5.3 Ensure all unemployment benefit claims are reviewed and addressed on a timely basis.

### Auditee's Response

*The County Commission provided the following written responses:*

- 5.1 *We are currently working on a solution to efficiently reconcile fuel usage, and hope to have a system in place by 2013.*
- 5.2 *This has been implemented.*
- 5.3 *This issue has been addressed and all future claims will be addressed in a timely manner.*

*The County Clerk provided the following written responses:*

- 5.1 *The Commissioners are working on a solution to efficiently reconcile fuel usage. We hope to have it in place by 2013.*
- 5.2 *This has been implemented.*



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5.3 *This issue has been addressed. All mail is opened and reviewed the day it is received.*

*The Sheriff provided the following response:*

5.1 *We will start maintaining fuel logs separately by vehicle and ensure the logs are complete.*

## **6. Road and Bridge Materials and Receipting Procedures**

Procedures related to road and bridge materials and receipting procedures continue to need improvement. Prior audits have addressed weaknesses in these procedures; however, improvements have not been made.

The county purchases rock for both county roads and its cost-sharing rock program where public purchases of rock are equally matched and placed on county roads by the road and bridge department. The rock program begins March 1 of each year, and ends when designated funding is exhausted. In addition, the public may purchase culverts to be installed for private purposes. The county spent approximately \$649,800 on rock and \$77,000 on culverts during the 2 years ended December 31, 2011. Sales of rock totaled approximately \$215,000 and sales of culverts totaled approximately \$30,000, during this period. In addition to material sales receipts, the County Clerk receives monies for sales of plat books, notary commission fees, liquor license fees, and auctioneer license fees. County Clerk receipts, other than material sales, totaled approximately \$8,200 during the 2 years ended December 31, 2011.

### **6.1 Material sales**

As similarly noted in our three prior audits, material sales are not adequately documented or monitored to ensure all monies due the county are received.

The material sales and receipts process is not centralized. Orders can be taken by the County Commission or the County Clerk and receipts can be collected by the County Commission, County Clerk, or County Treasurer. A bill of sale is not typically prepared for each sale and receipt slips are not always issued. Although county procedure is for customers to pay for the materials prior to delivery, a receipt slip or other proof of payment is not required for the customer to receive materials from the road and bridge department. Once orders for rock or culverts are received, the County Commission or the County Clerk direct the road and bridge supervisor to deliver the requested materials. The County Commission maintains notebooks documenting requests received, while the County Clerk maintains no records other than any receipt slips issued. Our review of the notebooks and available receipt slips noted that pertinent details of each sale, such as the amount of rock purchased, size and cost of culverts, and culvert installation charges, are typically not documented.



## Knox County Management Advisory Report - State Auditor's Findings

Because complete and accurate records are not maintained and customers are not required to request materials from a centralized location and present proof of payment, the county does not have a complete record of all sales and has little assurance all monies due to the county have been received.

### 6.2 Rock reconciliations

As noted in our two prior audits, the County Clerk does not compare individual rock delivery tickets received by road and bridge department personnel to purchase statements. Without such comparison, the county has no assurance it is paying only for rock actually received. The County Clerk implemented a reconciliation procedure in March 2012, after we brought this matter to her attention.

### 6.3 Receipts

The County Commission and County Clerk's procedures for receipting monies are in need of improvement.

#### County Commission material sales receipts

Receipt slips were not issued by the County Commission for monies received for material sales prior to April 2011, and the method of payment (cash, check, or money order) is not always indicated on receipt slips. In addition, receipts are not always transmitted to the County Treasurer in a timely manner.

#### County Clerk receipts

As similarly noted in our two prior audits, the County Clerk continues to lack adequate receipt records and procedures.

- Receipt slips were not issued for all monies received, but instead were issued only when requested. In addition, the County Clerk does not account for the numerical sequence of receipt slips issued.
- The method of payment (cash, check, or money order) is not consistently or accurately indicated on receipt slips. As a result, the composition of receipt slips cannot be compared to the composition of monies transmitted to the County Treasurer.
- Checks and money orders are not restrictively endorsed when received. Endorsements are applied upon transmittal to the County Treasurer.
- Receipts are not always transmitted intact or in a timely manner. For example, monies collected on March 21, 2011, were held from two subsequent transmittals before being transmitted to the County Treasurer on April 11, 2011.
- Monthly reports of monies collected were not prepared.



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Management Advisory Report - State Auditor's Findings

After we brought these control weakness to her attention, the County Clerk began issuing receipt slips for all monies received and preparing transmittal reports in March 2012.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be adequately recorded and transmitted intact in a timely manner and receipt records should be reconciled to transmittals. In addition, Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

## Recommendations

The County Commission and the County Clerk:

- 6.1 Develop centralized policies and procedures over sales of road and bridge materials to the public. Complete and detailed records of all sales should be maintained by the county and materials should only be delivered after customers present proof of payment.
- 6.2 Ensure rock delivery tickets are compared to purchase statements prior to payment.
- 6.3 Ensure prenumbered receipt slips are issued for all receipts; the method of payment is accurately indicated on all receipt slips; checks and money orders are endorsed immediately upon receipt; receipts are transmitted intact and in a timely manner; and receipt records, including the composition and numerical sequence of receipt slips issued, are reconciled to the composition of transmittals.

## Auditee's Response

*The County Commission and the County Clerk provided the following written responses:*

- 6.1 *We are working to improve our procedures for sales of road and bridge materials, and no materials will be allowed to be picked up or delivered until payment is received in full.*
- 6.2&  
6.3 *We have already implemented this.*

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## 7. Prosecuting Attorney's Controls

Procedures related to supervisory review, receipts and deposits, disbursements, and donations are in need of improvement. The Prosecuting Attorney's office collected various fees related to bad check and court-ordered restitution and donations totaling approximately \$48,000 during the 2 years ended December 31, 2011.

### 7.1 Supervisory review

Accounting duties are not adequately segregated, and the Prosecuting Attorney does not provide adequate oversight of financial functions and



## Knox County Management Advisory Report - State Auditor's Findings

records. One secretary is responsible for the duties of receipting, recording, depositing, preparing and signing checks, and preparing bank reconciliations. The Prosecuting Attorney performs a documented review of bank reconciliations; however, a more detailed review of the receipting, recording, and disbursing functions would help ensure monies received are properly deposited, recorded in the accounting system, and appropriately disbursed.

Thorough supervisory reviews help ensure transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected.

### 7.2 Receipts and deposits

Receipting and depositing procedures are in need of improvement. The Prosecuting Attorney's office issues manual receipt slips for bad check and court-ordered restitution payments received and enters these receipts into the computer system.

- Receipts are not always deposited timely. In 2011, deposits were made 0 to 3 times per month and averaged \$982. Our review noted instances where deposits were prepared and entered into the computer system up to 1 month prior to actual deposit, and one instance where monies were disbursed to a victim prior to deposit of the related payment.
- As similarly noted in our prior audit, receipt slips are not always issued as required. We noted instances where receipts were entered into the computer system, but a receipt slip was not prepared. In addition, receipt slips are not issued for donations received and transmitted to the County Treasurer.
- Manual receipt records are not reconciled to computerized receipt records, and manual and computerized receipt records are not reconciled to deposits. In addition, the numerical sequence of receipt slips issued is not accounted for properly.

The weaknesses in procedures noted above provide less assurance receipts are adequately safeguarded and properly recorded and deposited.

### 7.3 Disbursements

Disbursement procedures are in need of improvement.

- Bad check and court-ordered restitution fees are not disbursed to the County Treasurer in a timely manner. Fees were transmitted to the County Treasurer every 2 to 4 months during 2011. In addition, monies are not disbursed to victims in a timely manner. The Prosecuting Attorney's secretary indicated she typically disburses monies to victims after deposits are made.



## Knox County Management Advisory Report - State Auditor's Findings

- Checks are not always issued in numerical sequence. The Prosecuting Attorney's secretary enters some checks to victims in the computer system when she receives the monies; however, she does not print and send the checks to the victims until after she has deposited the monies. Because the computer system dates the checks when entered, and deposits are not always timely, some checks are not dated accurately or issued in numerical sequence. For example, check records and copies of payment letters on file show two checks dated November 14, 2011, and December 7, 2011, were sent to victims on November 30, 2011, and January 31, 2012, or 16 and 55 days later. As a result, it is difficult to monitor the timeliness of disbursements and account for the numerical sequence of check numbers.

To ensure all disbursements are accounted for properly and reduce the risk of loss, theft, or misuse of funds, bad check and court-ordered restitution payments should be disbursed in a timely manner, checks should be issued in numerical sequence, and the numerical sequence of check numbers should be accounted for properly. In addition, Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the County Treasurer.

### 7.4 Liabilities and unidentified balances

As similarly noted in our prior audit, liabilities have not been identified and reconciled with cash balances, and some restitution receipts had not been disbursed at the time of our review. Upon our request, the Prosecuting Attorney's office prepared a list of liabilities which totaled \$2,199 at February 29, 2012. Included in this amount was \$599 in restitution for five cases which should have been disbursed in March 2008, March and October 2011, and January and February 2012. The Prosecuting Attorney's office disbursed these funds in March 2012. A comparison of identified liabilities to the reconciled bank balance indicated an unidentified amount of \$203 in the bank account at February 29, 2012.

Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to identify liabilities and resolve errors is diminished. In addition, timely follow up is necessary to ensure all restitution received is disbursed in a timely manner.

### 7.5 Donations

Donations collected by the Prosecuting Attorney's office are not distributed in accordance with state law.

The Prosecuting Attorney frequently reduces charges filed on traffic tickets by requiring defendants to make a donation, ranging from \$100 to \$400, as a condition of reducing the charges. Since early 2011, all donations are deposited to the GR Fund. During 2010, donations were deposited to either



## Knox County Management Advisory Report - State Auditor's Findings

the GR or Restitution Funds. According to county accounting reports, receipts from donations totaled approximately \$16,800 in 2011 and \$1,500, in 2010. Of these amounts, approximately \$14,200 was deposited in the GR Fund and \$4,100 in the Restitution Fund. Our review of the Prosecuting Attorney's spreadsheet of donations required for 2011 cases noted most were speeding violations, which state law specifically excludes as violations for which assessments can be collected and deposited into the Restitution Fund.

There appears to be no authority for the Prosecuting Attorney to require a donation to the GR Fund to reduce charges filed on traffic tickets. Article IX, Section 7, Missouri Constitution, states the proceeds of all penalties, forfeitures, and fines are to be distributed to the County School Fund. In addition, while Section 50.565, RSMo, provides for the deposit of certain assessments and payments into a county law enforcement restitution fund, the section provides that "No court may order the assessment and payment authorized by this section if the plea of guilty or finding of guilt is to the charge of speeding, careless and imprudent driving .... No assessment and payment ordered pursuant to this section may exceed three hundred dollars for any charged offense."

## Recommendations

The Prosecuting Attorney:

- 7.1 Perform and document supervisory reviews of the receipting, recording, and disbursing functions.
- 7.2 Deposit all monies in a timely manner; issue receipt slips for all monies collected; account for the numerical sequence of receipt slips issued; and reconcile receipt records, including composition of receipt slips issued, to the composition of deposits.
- 7.3 Disburse all monies in a timely manner, issue checks in numerical sequence, and account for the numerical sequence of check numbers.
- 7.4 Prepare monthly liability lists and reconcile the lists to cash balances. In addition, the Prosecuting Attorney should ensure restitution amounts are disbursed in a timely manner, and any remaining unidentified or unclaimed amounts are disbursed in accordance with state law.
- 7.5 Reevaluate the practice of requiring donations to the county as part of reducing charges filed.



Knox County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Prosecuting Attorney provided the following responses:*

- 7.1 *We have segregated the disbursement function and implemented a procedure to independently review receipts and deposits.*
- 7.2 *Deposits are now made weekly or when receipts reach \$100, receipt slips are issued for all monies collected other than donations, receipts for donations are recorded on a dated spreadsheet, the numerical sequence of receipt slips issued is accounted for, and manual receipt slips are reconciled to deposits. We will work to implement a procedure to reconcile manual receipt slips to computer records.*
- 7.3 *This recommendation has been implemented.*
- 7.4 *Monthly liability lists are prepared and reconciled to cash balances and any remaining balances at the end of 2012 will be turned over to Unclaimed Property.*
- 7.5 *At the next state Prosecutors meeting, we will discuss the practice of donations with representatives of the Missouri Association of Prosecuting Attorneys.*

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## 8. Sheriff's Controls

The lack of adequate internal controls over seized property allowed a theft of seized property to occur; but no changes to seized property procedures were made as a result of the theft. In addition, due to significant control weaknesses prior to January 2011, there is no assurance all receipts were deposited and accounted for properly during 2010. Sheriff receipts totaled approximately \$13,600 in 2011 and \$10,600 in 2010.

### 8.1 Seized property

Adequate controls over seized property have not been established. The Sheriff's manual log of seized property has not been updated since November 2007. In addition, seized property is not always secured in the seized property rooms.

During December 2011, a Sheriff's deputy was terminated due to allegations of theft of seized property items from the Sheriff's department. The theft was investigated by the Missouri State Highway Patrol and the former deputy was arrested in October 2012. According to the Sheriff, these items were not stored in the locked seized property rooms to which only the Sheriff has access. Despite this theft of seized property items, improvement to records and procedures have not been made. Without complete and accurate inventory records, the extent of missing items cannot be determined.





## Knox County Management Advisory Report - State Auditor's Findings

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, misuse, or theft of the stored items. To ensure seized property is secured and accounted for properly, all items should be stored in seized property rooms with limited access and adequately recorded. Inventory records should include information such as description, persons involved, current location, case number, date of seizure, and disposition of such property. In addition, periodic physical inventories should be performed and results compared to the inventory records.

### 8.2 Receipts and deposits

Numerous control weaknesses were noted in our review of receipts and deposits. Most weaknesses were resolved when receipting and depositing responsibilities were assigned to the Sheriff's current bookkeeper in January 2011.

#### Current procedures

As noted in our two prior audits, checks and money orders are not restrictively endorsed immediately upon receipt. The Sheriff's bookkeeper endorses checks and money orders when she prepares deposits.

#### Procedures prior to January 2011

Our review of receipt ledgers and deposits pertaining to 2010 noted instances where receipt slips were not issued immediately upon receipt, monies were receipted twice, and monies were not deposited intact and timely. In addition, the Sheriff's former bookkeeper did not account for the numerical sequence of receipt slips or compare the composition of receipts to the composition of deposits. Similar problems were not noted in our review of the Sheriff's current receipt and deposit records and procedures.

The lack of proper receipting and depositing procedures results in less assurance of proper handling of monies collected. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be adequately recorded, endorsed, and deposited; the numerical sequence of receipt slips should be reviewed, and receipt records should be reconciled to deposits.

### Recommendations

The Sheriff:

- 8.1 Establish procedures to ensure all seized property items are stored in seized property rooms, complete and accurate inventory records are maintained, and periodic physical inventories are performed.
- 8.2 Ensure checks and money orders are endorsed immediately upon receipt. In addition, the Sheriff should continue to ensure receipt slips are issued immediately upon receipt, monies are deposited intact and timely, the numerical sequence of receipt slips is reviewed, and the composition of receipt slips issued is reconciled to the composition of deposits.



Knox County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The Sheriff provided the following responses:*

- 8.1 *We have established a new evidence log and we now log all new evidence items received. All property is now stored in the seized property rooms. I will discuss with the new Sheriff the need to log existing property items and perform physical inventories.*
- 8.2 *We now restrictively endorse checks and money orders immediately upon receipt and will continue to ensure the other procedures regarding receipts and deposits are in place.*

## 9. Computer Controls

Controls over computer systems are not sufficient to prevent unauthorized access or to restore key systems in the event of disaster or system failure.

### 9.1 Passwords

As similarly noted in prior audits, passwords are not required to log on to the Recorder of Deeds' and Prosecuting Attorney's computer systems. In addition, passwords for the Assessor's and County Clerk's computer systems are not changed on a periodic basis.

To prevent unauthorized access and/or changes to computer systems, passwords should be utilized, kept confidential, and periodically changed.

### 9.2 Log-on attempts

None of the county computers have security controls in place to detect or prevent incorrect log-on attempts. An unauthorized individual could try an infinite number of times to log on to the system and, if successful, have unrestricted access to programs and data files. In addition, the computers are not locked after a certain period of inactivity.

To help protect computer files, security controls should be implemented to detect incorrect log-on attempts after a certain number of tries and lock computers after a certain period of inactivity. Such controls should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

### 9.3 Backup data

As similarly noted in our two prior audits, backups are prepared by all county officials utilizing computer systems; however, the County Clerk and Prosecuting Attorney do not store backup data at an off-site location.

Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer.

## Recommendations

The County Commission work with county officials to:

- 9.1 Require passwords, which are kept confidential and periodically changed, for all employees.



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Knox County  
Management Advisory Report - State Auditor's Findings

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- 9.2 Establish security controls to detect and report incorrect log-on attempts after a certain number of tries and which lock computers after a certain period of inactivity.
- 9.3 Ensure backup data is stored in a secure off-site location.

## Auditee's Response

*The County Commission provided the following written response:*

*The Knox County Commission will work with the other county officials to implement the Auditor's recommendations.*

# Knox County

## Organization and Statistical Information

Knox County is a county-organized, third-class county. The county seat is Edina.

Knox County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 29 full-time employees and 6 part-time employees on December 31, 2011.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Evan Glasgow, Presiding Commissioner	\$	25,351
Terry Red Callahan, Associate Commissioner		23,080
Terry Marble, Associate Commissioner		23,078
Sandy Woods, Recorder of Deeds		34,000
Marlene Spory, County Clerk		34,967
David M. Brown, Prosecuting Attorney		42,617
Mike Kite, Sheriff		41,533
Allen Gudehus, County Treasurer		34,000
Jeffrey Doss, County Coroner		9,834
Kathy J. Poore, Public Administrator		21,855
Brent Karhoff, County Collector, (1)		
year ended February 29,	36,509	
Anita James, County Assessor ,		
year ended August 31,		34,967

(1) Includes \$1,542 of commissions earned for collecting drainage district and city property taxes.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

Knox County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



**Thomas A. Schweich**  
Missouri State Auditor

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**St. Louis  
Convention Center Hotel  
Transportation Development  
District**



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**November 2012**  
**Report No. 2012-143**

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the St. Louis Convention Center Hotel Transportation Development District

Background	The St. Louis Convention Center Hotel Transportation Development District (TDD) was organized in March 2010 and is located in the City of St. Louis. The TDD was formed for the purpose of assisting in the funding of operation and maintenance costs of a parking garage and the repayment of public debt incurred in the construction of the parking garage. The parking garage was completed in 2003 and had a debt of approximately \$15.3 million when the TDD was formed. A 1-cent (1 percent) sales tax is imposed on all taxable transactions within the boundaries of the district, which is expected to remain in effect for 13 years, unless terminated sooner. Because the TDD is located within a TIF area, 50 percent of the sales tax collected is deposited into accounts relating to the TIF projects.
Professional Services	The TDD did not solicit requests for proposals for legal and administrative services. TDD officials believed potential bidders had conflicts of interest and believed no other bidders could have provided comparable services at a lower cost. Soliciting proposals for services is a good business practice which helps provide a range of possible choices and allows the district to make better-informed decisions.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The St. Louis Convention Center Hotel Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Brian Krippner, Chairman and Executive Director  
and  
Board of Directors  
St. Louis Convention Center Hotel Transportation Development District  
St. Louis, Missouri

We have audited certain operations of the St. Louis Convention Center Hotel Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 3 years ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.



For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the St. Louis Convention Center Hotel Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Katie Twiehaus

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# St. Louis Convention Center Hotel

## Transportation Development District

### Management Advisory Report - State Auditor's Findings

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#### **Professional Services**

The district did not solicit requests for proposals for legal and administrative services. Proposals were not solicited because transportation development district (TDD) officials believed potential bidders had conflicts of interest due to work performed for other entities involved in the financing of the project located in the TDD and Tax Increment Financing area and no other bidders could have provided the same level of quality service at a lower cost. However, this is not documented in the Board minutes or other TDD documentation. Without requesting proposals for professional services, the district cannot ensure it has received quality services at a fair price. The district disbursed \$5,120 and \$6,227 for legal and administrative services for the fiscal years ended June 30, 2012 and 2011, respectively.

Soliciting proposals for services is a good business practice, helps provide a range of possible choices, and allows the district to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration.

#### **Recommendation**

The TDD Board solicit proposals for professional services.

#### **Auditee's Response**

*The TDD Board provided the following written response:*

*The District notes that Missouri law does not require a TDD to solicit proposals for professional services. However, the District acknowledges that soliciting proposals for professional services, may under certain circumstances, enable the District to ensure that professional services are obtained from the lowest and best bidder. In furtherance of this acknowledgement, the District instructed the District Administrator to solicit bids from various accounting firms for the purpose of completing the District's compiled financial statements. The District did not solicit proposals for legal counsel or district administration because it believed that due to the integration of the District into a previously existing and complex, multi-party public-private financing mechanism, (1) other potentially qualified bidders had conflicts of interest due to representation of other parties in the overall financing mechanism and (2) no other responsible bidders could have provided the same level of quality service at a lower cost. For the fiscal year ended June 30, 2011, legal and administrative costs represented approximately 2.2% of the District's total expenditures. For the fiscal year ended June 30, 2012, legal and administrative costs represented approximately 1.3% of the District's total expenditures.*

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# St. Louis Convention Center Hotel

## Transportation Development District

### Organization and Statistical Information

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The St. Louis Convention Center Hotel Transportation Development District (TDD) is located in the City of St. Louis. The TDD was organized in March 2010 by petition of the property owners within the proposed TDD. The Board of Directors and officers include representatives of the property owners.

The qualified voters of the TDD, in this case the property owners, approved the imposition of a sales tax of 1-cent (1 percent) on all transactions which are taxable within the boundaries of the district. The Board of Directors subsequently passed a resolution which set the sales tax rate at 1-cent (1 percent) in March 2010 and it is currently expected to remain in effect for 13 years, unless terminated sooner after all obligations have been paid.

The TDD was formed for the purpose of assisting in the funding of operation and maintenance costs of a parking garage along with assisting in the repayment of public debt incurred by a governmental agency in financing the construction of the parking garage. The parking garage had debt of approximately \$15.3 million when the TDD was formed. The Missouri Development Finance Board (MDFB) is the public entity with jurisdiction over the project. The project was completed in 2003.

The TDD is located within a Tax Increment Financing (TIF) area; therefore, 50 percent of the sales tax collected is deposited into accounts relating to the TIF projects. The MDFB issued Taxable Infrastructure Facilities Revenue bonds of \$6.5 million and Tax-Exempt Infrastructure Facilities Revenue bonds of \$14.6 million in 2000 to finance the TIF projects.

The TDD has a fiscal year end of June 30 and did not have independent audits performed during the 3 years ended June 30, 2012.

#### District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at June 30, 2012, were:

Brian Krippner, Chairman and Executive Director  
Laura Roberson, Vice Chairman  
Linda Krull, Treasurer and Secretary  
Laura Lashley, Assistant Treasurer  
Paul Meier, Assistant Secretary

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The St. Louis Convention Center Hotel Transportation Development District did not receive any federal stimulus monies during the 3 years ended June 30, 2012.



St. Louis Convention Center Hotel  
Transportation Development District  
Organization and Statistical Information

Financial Activity

A summary of the district's financial activity for the 3 years ended June 30, 2012, follows:

	Year Ended June 30,		
	2012	2011	2010
Receipts:			
Sales taxes	\$ 382,540	281,324	0
Miscellaneous	1,057	0	0
Total Receipts	383,597	281,324	0
Disbursements:			
Rent	305,558	222,822	0
Insurance	2,074	4,646	0
Professional services	6,920	6,227	0
Tax increment financing	69,045	47,629	0
Total Disbursements	383,597	281,324	0
Receipts Over (Under) Disbursements	0	0	0
Beginning Cash Balance	0	0	0
Ending Cash Balance	\$ 0	0	0



**Thomas A. Schweich**  
Missouri State Auditor

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## Sixteenth Judicial Circuit

### City of Lone Jack Municipal Division



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November 2012  
Report No. 2012-142

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Sixteenth Judicial Circuit, City of Lone Jack Municipal Division

Monitoring of Excess Revenues	Section 302.341.2, RSMo, requires municipalities deriving more than 35 percent of their annual general operating revenues from fines and court costs for traffic violations occurring on a state or federal highway to turn the excess over to the Department of Revenue (DOR) to be distributed to schools of the county. The municipal division tracks the amount of relevant fines and court costs collected, but the city improperly included various restricted revenues in its annual excess revenue calculation and owes at least an additional \$119,353 to the DOR for the 3 years ended June 30, 2012. The amount due should be recalculated after completion of the ongoing financial statement audit. In addition, the city did not perform annual excess revenue calculations or make payments of excess revenues to the DOR timely.
Ticket Disposition	The Prosecuting Attorney does not sign tickets submitted to the municipal division. Instead, he allows the Court Administrator to maintain his signature stamp and stamp his signature on the tickets, making it more difficult to ensure proper handling of tickets and related monies.
Liabilities	The municipal division does not prepare a list of liabilities and compare it to the reconciled bank balance. Audit staff identified liabilities totaling \$16,402, but the reconciled bank balance was \$16,720, and the Court Administrator could not account for the \$318 discrepancy.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Sixteenth Judicial Circuit, City of Lone Jack Municipal Division, did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Sixteenth Judicial Circuit

## City of Lone Jack Municipal Division

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Presiding Judge  
Sixteenth Judicial Circuit  
and  
Municipal Judge  
and  
Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Lone Jack, Missouri

We have audited certain operations of the City of Lone Jack Municipal Division of the Sixteenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.
3. Evaluate the city's compliance with Section 302.341.2, RSMo, which restricts the amount of fines and court costs that may be retained by municipalities from traffic violations occurring on state and federal highways.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division and the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.



The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) noncompliance with Section 302.341.2, RSMo. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Lone Jack Municipal Division of the Sixteenth Judicial Circuit.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Julie A. Moulden, MBA, CPA

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# Sixteenth Judicial Circuit

## City of Lone Jack Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Monitoring of Excess Revenues**

While the city calculated excess revenues due the Missouri Department of Revenue (DOR) for the 3 years ended June 30, 2012, the city included restricted revenues, which are not general operating revenues, in its excess revenue calculation. In addition, the city has not remitted excess revenues to the DOR in a timely manner. Based on the calculation below, at least an additional \$119,353 is due the DOR for the 3 years ended June 30, 2012.

Section 302.341.2, RSMo, requires municipalities deriving more than 35 percent of their annual general operating revenue from fines and court costs for traffic violations occurring on a state or federal highway to turn the excess over to the DOR, to be distributed to schools of the county. According to 12 CSR 10-44.100, payment should be made by the last day of the second month immediately following the end of the fiscal year.

The municipal division tracks the amount of fines and court costs collected on tickets issued on state and federal highways in a case tracking system. Based on the 2012 data in the system, \$282,133 was collected on state and federal highways for traffic violations. The city's unaudited budget-to-actual report for fiscal year ended June 30, 2012, indicates the city's 2012 general revenues totaled \$903,449. The city calculated 35 percent of these revenues as \$316,207. Based on this calculation, the city determined it did not have excess revenues from fines and court costs for fiscal year 2012. Similar calculations were made for prior fiscal years and the city determined excess revenues totaled \$107 for fiscal year 2011 and \$19,205 for fiscal year 2010.

However, the revenues the city included in the excess revenue calculations include various restricted revenues, which are not general operating revenues of the city. This includes revenues from various local sales taxes, which are required to be used for street maintenance, city hall construction and improvement, and development of a sewer system; state motor vehicle sales taxes restricted for street-related purposes (including policing, signing, and lighting of streets); court fees restricted for law enforcement and judicial training purposes; etc. Since these are not general operating revenues of the city, they should be excluded from the general operating revenues used in the calculation of excess revenues due the DOR.

The following table, using the city's excess revenue calculations and budget-to-actual reports, indicates the additional amounts to be remitted to the DOR for excess revenues for fiscal years ended June 30, 2012, 2011, and 2010, after excluding restricted revenues:



Sixteenth Judicial Circuit  
City of Lone Jack Municipal Division  
Management Advisory Report - State Auditor's Findings

	Year Ended June 30,		
	2012 (1)	2011	2010
City Calculated General Operating Revenues	\$ 903,449	951,531	799,354
Less Restricted Revenues: (2)			
Capital improvement sales tax	(28,679)	(29,015)	(22,688)
Park sales tax	(27,655)	(29,015)	(22,688)
Local sales tax	(80,772)	(64,318)	(33,976)
Court training fees	(2,612)	(5,883)	(6,452)
County urban road system refunds	(1,797)	(31,463)	0
State motor vehicle sales tax	(12,923)	(18,628)	(19,800)
General Operating Revenues (Less Restricted Revenues)	749,011	773,209	693,750
35 Percent of General Operating Revenues	262,154	270,623	242,813
Fines and Court Costs From Traffic Violations on State and Federal Highways (3)	(282,133)	(333,143)	(298,979)
Excess Revenues	(19,979)	(62,520)	(56,166)
Amount Remitted to the DOR	0	107	19,205
Remaining Amount Due the DOR	\$ 19,979	62,413	36,961

- (1) The city is currently undergoing a financial statement audit for the fiscal year ended June 30, 2012.
- (2) There may be other restricted revenues (such as park donations, street light revenues, and grant revenues) that should be excluded from general operating revenues, in which case amounts due the DOR would increase.
- (3) For the fiscal year ended June 30, 2010, the amount (taken from the city's calculation) only included September 2009 through June 2010 amounts due to Section 302.341.2, RSMo, changes, effective August 28, 2009, requiring both fines and court costs from traffic violations be included in the calculation, from previously requiring only fines from traffic violations be included. If July and August 2009 fines were included, the amount due the DOR would increase.

Because audited financial statements may result in different amounts than those reflected on the budget-to-actual report used in the above calculation, the city should recalculate 2012 excess revenues using audited revenue amounts. In addition, the fiscal year 2010 excess revenues should be recalculated to ensure all applicable amounts are included in the calculation.

The \$19,205 payment made to the DOR for excess revenues for the fiscal year ended June 30, 2010, was not made until December 2010. In addition,



Sixteenth Judicial Circuit  
City of Lone Jack Municipal Division  
Management Advisory Report - State Auditor's Findings

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because the new City Clerk hired in August 2011 was not aware of Section 302.341.2, RSMo, the excess revenues for the fiscal year ended June 30, 2011, were not calculated until we brought it to his attention in May 2012. Subsequently, a \$107 payment for excess revenues was made to the DOR in June 2012 for the fiscal year ended June 30, 2011.

## Recommendation

The Board of Aldermen ensure annual excess revenue calculations are performed timely, only general operating revenues are included in the calculation, and payments of excess revenues are made timely. In addition, the Board of Aldermen should recalculate excess revenues for fiscal years 2010 through 2012 and make appropriate payments to the DOR for any additional excess revenues.

## Auditee's Response

*The Board of Aldermen provided the following written response:*

*Section 302.341, RSMo is vague and subject to differing interpretations. The City's position is that "annual general operating revenue" includes funds which, while earmarked for certain purposes, are nonetheless used for general governmental purposes. The City will timely make its determination of excess revenues, if any.*

## Auditor's Comment

Revenues restricted by law for specific purposes cannot be used for general operating purposes and should not be included in the excess revenue calculation.

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## 2. Ticket Disposition

The city Prosecuting Attorney does not sign tickets submitted to the municipal division, but rather allows the Court Administrator to maintain his signature stamp and stamp his signature on the tickets. Without formal approval by the Prosecuting Attorney of all tickets processed, the risk of improper handling of tickets and related monies increases.

Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the court. The Prosecuting Attorney's review, documented with his signature, is needed to provide assurance proper cases and charges are filed with the municipal division.

## Recommendation

The City of Lone Jack Municipal Division ensure the Prosecuting Attorney signs all tickets.

## Auditee's Response

*The Municipal Division provided the following written response:*

*All charges filed with the court will be stamped or signed by the Prosecutor himself.*



Sixteenth Judicial Circuit  
City of Lone Jack Municipal Division  
Management Advisory Report - State Auditor's Findings

### 3. Liabilities

A list of liabilities is not prepared and compared to the reconciled bank balance. As a result, the Court Administrator is unable to agree the reconciled bank balance to related liabilities.

We identified liabilities totaling \$16,402 in the case tracking system at June 30, 2012. However, the reconciled bank balance of \$16,720 exceeded the identified liabilities by \$318 and the Court Administrator was unable to determine the reason for this discrepancy.

A monthly list of liabilities should be prepared and reconciled to the reconciled bank balance to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely.

### Recommendation

The City of Lone Jack Municipal Division prepare monthly lists of liabilities and reconcile the lists to the reconciled bank balances. Unidentified differences should be investigated and resolved in accordance with state law.

### Auditee's Response

*The Municipal Division provided the following written response:*

*The discrepancy amount identified by the Auditor, namely \$318.00, is a bank account balance in excess of the amount calculated by our case management system, INCODE. This amount may be a bank account excess going back a number of years. We are continuing to analyze our banking, financial and case management data to determine whether an adjusting entry is needed. A monthly distribution report will be prepared and reconciled to the bank balance to ensure bank activity and accounting records are in agreement. We will seek guidance and assistance from the Auditor's staff to correct this issue, if necessary.*

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# Sixteenth Judicial Circuit

## City of Lone Jack Municipal Division

### Organization and Statistical Information

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The City of Lone Jack Municipal Division is in the Sixteenth Judicial Circuit, which consists of Jackson County. The Honorable Charles Atwell serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At June 30, 2012, the municipal division employees were as follows:

Title	Name
Municipal Judge	J. Brand Eskew
Court Administrator	Donna Furr

#### Financial and Caseload Information

	Year Ended June 30, 2012
Receipts	\$373,356
Number of cases filed	2,578

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Lone Jack Municipal Division, did not receive any federal stimulus monies during the year ended June 30, 2012.



**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Missouri State Lottery Commission



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November 2012  
Report No. 2012-141

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Missouri State Lottery Commission

Long-Term Contracts	The Lottery renegotiated some service contracts and entered into long-term contract renewals for other services rather than engaging in regular, competitive bidding. This practice does not require contracts to be awarded to the lowest and best bidder and presents legal issues regarding compliance with state purchasing laws.
Sponsorships	During the 2 years ended June 30, 2011, the Lottery spent approximately \$421,000 to sponsor local community events. The majority of these events (10 of 16) did not yield a positive (benefits exceed costs) Return on Investment (ROI), the Lottery sponsored several events in fiscal year 2011 even though the ROI for the same event was negative in fiscal year 2010, and none of the five most costly local community events had a positive ROI.
Advertising Expenditures	The Lottery reports its advertising expenses to the General Assembly, but it incurred an additional \$3 million and \$1.9 million for fiscal years 2011 and 2010, respectively, in various related advertising expenses, such as promotional items, event sponsorships, and advertising agency expenses, which it did not report. In addition, neither the Lottery nor the General Assembly maintains formal written documentation of the annual amount approved by the General Assembly for advertising.
Closed Meetings	The Lottery Commission did not always comply with the Sunshine Law. It did not document how some topics discussed in closed meetings complied with the Sunshine Law, discussed some topics in closed meetings other than those identified for closing the meeting, and failed to document closed meeting discussions for some topics specified for closing the meeting.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Missouri State Lottery Commission did not receive any federal stimulus monies during the audited time period.
---	---

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

The Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Missouri State Lottery Commission  
and  
May Scheve, Executive Director  
Missouri State Lottery Commission  
Jefferson City, Missouri

The State Auditor is required under Section 313.315.1, RSMo, to audit the Missouri State Lottery Commission and we audited certain operations of the Commission in fulfillment of our duties. The Commission is also required under Section 313.315.2, RSMo, to employ an accounting firm to audit all accounts and transactions of the Lottery. The Commission engaged UHY LLP, Certified Public Accountants (CPAs) to audit the Commission's financial statements for the year ended June 30, 2011. Berberich Trahan & Co., P.A., CPAs was engaged to audit the Commission's financial statements for the year ended June 30, 2010. To minimize duplication of effort we reviewed the reports of both firms. We also reviewed substantiating working papers of UHY LLP, CPAs. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011 and 2010. The objectives of our audit were to:

1. Evaluate the Commission's internal controls over significant management and financial functions.
2. Evaluate the Commission's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Commission, as well as certain external parties; analysis of comparative data obtained from external and/or internal sources; reviewing contracts specific to the auditee's operations and significant within the context of the audit objectives; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Commission's management and was not subjected to the procedures applied in our audit of the Lottery.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri State Lottery Commission.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and "A." as a middle initial.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Terri Erwin, MBA, CGAP
Audit Staff:	Amy Wilson
	Peter Studer

# Missouri State Lottery Commission

## Management Advisory Report

### State Auditor's Findings

#### 1. Long-Term Contracts

Rather than periodically soliciting competitive bids/proposals, the Missouri State Lottery Commission (Lottery), renegotiated instead of rebidding some contracts, and entered into long-term contracts with multiple and/or indefinite renewal periods for certain services. This practice does not require contracts to be awarded to the lowest and best bidder and presents legal issues regarding compliance with state purchasing laws and regulations.

During the 2 years ended June 30, 2011, significant contracts were:

Contracted Service	2011 Payments	2010 Payments	Contract Date	Expiration Date, with Renewals	Potential Contract Length
On-line gaming system	\$ 8,514,436	\$ 8,519,484	December 2004	June 2020	16 years
Instant ticket vending machines	2,274,069	1,858,903	March 2007	June 2015	8 years
Communication solution	3,901,281	3,867,090	April 2007	June 2020	13 years
Scratchers printing-primary	8,453,098	7,867,802	April 2011	June 2021	10 years
Scratchers printing-secondary	70,000	0	April 2011	June 2021	10 years
Advertising	1,991,637	2,496,433	August 2005	December 2010	5 years (actual)
Advertising	7,435,344	0	October 2010	June 2017	7 years

The Lottery renegotiated some contracts instead of rebidding the service. In August 2011, before the first renewal period became effective in June 2012, rather than rebidding the services for the on-line gaming system, instant ticket vending machines, and communication solution (computer lines for on-line games such as Keno) provided by one vendor, the Lottery renegotiated and amended the expiration date for these contracts to June 30, 2015, at least in part, because of additional services and equipment provided by the vendor.

According to Lottery management, the Lottery formed a committee that researched the lottery industry contract rates and services of other state lotteries, and contacted other state lotteries that had recently rebid these services. The Lottery's goal was to lower its pricing, while being "innovative".

After negotiations with the vendor, the Lottery elected to enter into amended short-term extensions of the current contracts. The renewal periods of the original contracts apply to the renegotiated contracts. Lottery management also stated that the new negotiated contracts should result in annual cost savings of approximately \$1 million over the previous contract, and the extended time period will help the Lottery obtain a sense of future lottery technology and sales options (e.g., internet sales).

The amendments to these contracts provided for new compensation rates, set at a certain percentage of the total net weekly online sales. The former



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compensation included a lower percentage of total net weekly online sales and specific monthly payments for each terminal and bin leasing and maintenance. Lottery management indicated the Lottery also received some additional services such as a web-based subscription service for lottery players and additional equipment such as monitors, billboards, and instant ticket vending machines, at no additional charge.

The Lottery also entered into long-term contracts for other services. The contracts for printing Scratchers tickets and advertising services include multiple renewal periods which may result in contract periods of 10 and 7 years, respectively. In addition, the contracts for auditing services and drawing observations can be renewed indefinitely, if mutually agreed upon by both parties. As a result, competitive bids/proposals might not be solicited for these services for a significant amount of time, and the lowest and best bidder might not be providing these services.

The reasons set forth by Lottery personnel do not justify failing to competitively procure these services. The Lottery handles the procurement of its goods and services and should abide by the state purchasing laws, rules, and regulations as provided by 12 CSR 40-30. State purchasing rules/regulations provide that a formal method of solicitation, such as Request for Proposals, should be utilized for purchases exceeding \$25,000. In addition, Section 313.270, RSMo, provides that Lottery contracts be awarded ". . . on the basis of lowest and best bid on an evaluation basis . . . ."

Although the Lottery is a specialized industry, there is little assurance these long-term contracts will offer the most benefit to the Lottery in the future. Regular, competitive bidding would help provide assurance the Lottery is receiving goods and services at fair value with the most benefits to the Lottery.

## Recommendation

The Lottery solicit competitive bids/proposals for these service contracts in accordance with state law and regulations.

## Auditee's Response

*The Lottery Commission agrees with the recommendation and will continue to solicit competitive bids/proposals in accordance with state law. Although some contracts have extended renewal terms, they are renegotiated before renewing to ensure the Lottery is receiving the best price and service. Costs to convert to a new vendor (including the substantial initial investment and the associated risks of conversion) are a consideration. In addition, contract pricing and terms paid by other state lotteries are readily available and used as a basis for negotiation and decision-making. Prudent decisions are critical in order to maximize revenues for public education. Each time we have extended a contract, we were able to achieve a better deal than what we had previously, lowering costs of the contract to the Lottery.*



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## 2. Sponsorships

The Lottery incurred expenses greater than the amount of benefits for a majority of local community events it sponsored. During the 2 years ended June 30, 2011, the Lottery sponsored 45 special events and 16 local community events. As a sponsor, the Lottery receives exposure and advertising opportunities. According to Lottery personnel, these events are an opportunity to promote the Lottery, educate the public about the Lottery, and build relationships with players.

Special events included activities such as motorsports, sporting events, festivals, music concerts, and the State Fair, while local community events were smaller venues with less exposure. For the 2 years ended June 30, 2011, total sponsorship costs for special and local community events were approximately \$818,000 and \$421,000, respectively.

The Lottery evaluates the events annually to determine whether it receives a positive (benefits exceed costs) Return on Investment (ROI) for the event (a ROI greater than 1). Although the overall average of the ROI on the special events was 3.4 and 4.2 in fiscal year 2011 and 2010, respectively, the overall average ROI (.9) for the local community events was negative.

During the 2 years ended June 30, 2011, the following local community events were held (in order from highest to lowest costs):

Local Community Event	Cost	Benefit	ROI	Location
Black Expo 2011	\$ 82,813	53,932	0.7	St. Louis
Black Expo 2010	77,858	61,469	0.8	St. Louis
Gateway Classic 2010	75,675	53,358	0.7	St. Louis
Gateway Classic 2011	75,000	53,366	0.7	St. Louis
100 Black Men	25,000	14,600	0.6	St. Louis
Holiday Magic	22,997	28,365	1.2	St. Louis
Salute to Excellence in Education	15,000	12,103	0.8	St. Louis
St. Louis Business Women	12,760	10,511	0.8	St. Louis
Go! St. Louis	8,500	55,968	6.6	St. Louis
KC Riverfest	7,079	10,442	1.5	Kansas City
Community Women Against Hardship	5,000	4,096	0.8	St. Louis
Epsilon Lambda Benefit	5,000	8,138	1.6	St. Louis
Bill Picket Rodeo	3,018	3,379	1.1	Kansas City
Jim Butler Golf Benefit	2,237	1,670	0.7	St. Louis
Party on the Plaza	1,500	2,076	1.4	St. Louis
Missouri School Board Association	1,214	493	0.4	Osage Beach
Total	\$ 420,651	373,966	0.9	



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The majority of local community events (10 of 16) did not yield a positive ROI. In addition, the Lottery sponsored several events in fiscal year 2011 even though the ROI for the event was negative in fiscal year 2010, and none of the five local community events with the highest costs had a positive ROI.

To ensure lottery proceeds are spent in an efficient and effective matter, the Lottery should discontinue sponsoring local community events that do not provide a positive benefit.

## Recommendation

The Lottery discontinue sponsoring local community events which do not produce a positive ROI.

## Auditee's Response

*The Lottery Commission agrees with the recommendation and will continue to use the PINPOINT Sponsorship Evaluation System (implemented in July 2011) to systematically organize, measure and evaluate applications submitted to the Lottery for community and other sponsorships. The PINPOINT operating system uses algorithms that weigh a series of criteria based on Missouri Lottery's strategic marketing and public relations focus. Criteria include type of event, audience, media and signage values, geographic location, time of year, size of the event, as well as other intangible factors such as age of event, number of sponsors and industry exclusivity. Proposals are reviewed, rated and accepted or rejected based on the criteria. The system is also used to evaluate the results of completed sponsorships, including calculating benefits and costs associated with the Sponsorship. PINPOINT assists us in selecting sponsorships that best promote Lottery products; emphasize our mission of providing educational opportunities for Missouri students, supporting Missouri businesses and entertaining millions; and also provide a positive return. In addition, the Lottery takes Executive Order 05-30 minority- and women-owned business enterprise (MWBE) 10 percent and 5 percent targets very seriously and utilizes participation in minority and women community events, in addition to direct and subcontracted expenditures to MWBEs, to achieve these goals. The return on community events is typically lower than the return on other sponsorships because community events focus on community outreach and building relationships rather than ticket sales. The Lottery will work to raise the return on investment of these events.*

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## 3. Advertising Expenditures

The advertising amounts reported to the General Assembly by the Lottery do not include some related expenditures. These additional advertising related expenditures totaled approximately \$3 million and \$1.9 million, for fiscal years 2011 and 2010, respectively. In addition, the advertising amount approved by the General Assembly is not adequately documented.

Lottery expenditures are paid from Lottery revenues and are subject to the legislative appropriation process. Lottery management also stated that,



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along with its budget documents, the Lottery furnishes the House of Representatives and Senate budget committees its current Comprehensive Annual Financial Report and a Resource Recommendation report. The resource report includes information such as Lottery sales, advertising, and transfers to education 10-year history; market challenges; and plans and recommendations to manage its resources. The report also includes various comparisons of states with lotteries, such as advertising to sales and advertising to population. Based on this information and discussions with the budget committees, an advertising amount for the budget year is decided/approved.

### 3.1 Advertising related expenditures

The Lottery reports total expenses charged to the category "advertising services" in the state accounting system (SAM II) to the General Assembly. However, the Lottery incurs various other advertising related expenditures that are not reported.

The advertising services amounts reported and other advertising related expenses incurred by the Lottery for the 5 years ended June 30, 2012 were:

		Year Ended June 30,				
		2012	2011	2010	2009	2008
Advertising services, reported	\$	7,214,478	7,982,054	1,855,338	1,249,065	1,308,886
Related expenses, not reported:						
Other professional services		1,910,687	1,892,809	1,240,333	1,483,061	1,640,508
Public relations services		1,685,677	1,108,247	567,966	357,074	437,576
Promotional supplies		209,715	293,236	98,358	181,903	220,951
Total not reported	\$	3,806,079	3,294,292	1,906,657	2,022,038	2,299,035

The Lottery currently reports expenses such as space in newspapers and magazines; television and radio commercials; informational materials; billboards; and highway/road signs as advertising services expenditures. However, the Lottery does not report other advertising related expenses, recorded in SAM II in categories other than advertising services, to the General Assembly.

- The Lottery distributes promotional items such as t-shirts, tote bags, stress balls, can koozies, pens, blankets, clocks, water bottles, and coolers at various events. The Lottery logo is imprinted on these promotional items and the cost of these items is charged to the category "promotional supplies" in SAM II.
- The Lottery sponsors special and local community events that include advertising aspects. Advertising involved with these sponsorships include placing the Lottery logo on television spots, print advertisements, brochures, and signage for the events; and mentioning





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the Lottery sponsorship in radio ads. The Lottery also sponsors a hot air balloon that displays the Lottery logo, which flies over the State Fair, concerts, and various sporting events. The cost of these events is charged to the category "public relations services" in SAM II.

- The Lottery made payments to advertising agencies, totaling \$1,468,608 and \$714,655, during the year ended June 30 2011 and 2012, respectively, for artwork, the printing of signage, production and talent expenses for commercials, and other miscellaneous advertising related expenses. The payments are charged to the category "other professional services" in SAM II.

To promote full disclosure and accountability, the Lottery should also report advertising related expenditures to the General Assembly.

### 3.2 Approved advertising amount

The Lottery and the General Assembly do not maintain formal written documentation of the annual amount approved by the General Assembly for advertising.

According to Lottery management, the General Assembly approves the advertising amount through its annual budgeting and appropriation process. However, there is no specific line item for advertising in the annual Lottery appropriation bill. In addition, advertising expenditures are not separately identified in Lottery budget documents, but rather included in the professional services budget classification, a classification that includes other expenses such as printing/binding, accounting/auditing services, and public relation services. In fiscal year 2011, the professional services budget classification totaled approximately \$29 million of which approximately \$8 million was designated for advertising.

To prevent misunderstandings and ensure the Lottery limits advertising expenditures to amounts approved by the General Assembly, the Lottery needs to maintain formal written documentation of the approved advertising amount.

## Recommendations

The Lottery:

- 3.1 Include advertising related expenses in future reports to the General Assembly.
- 3.2 Ensure specific written documentation is maintained to support the annual advertising amount approved by the General Assembly.

## Auditee's Response

- 3.1 *The Lottery agrees with the recommendation. The Lottery follows SAM II policies and procedures in coding expenditures. The Advertising Services object code description is very specific: "Fees*



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*for advertising expenses including space in newspapers and magazines, television and radio commercials, information materials, bill boards and highway/road sign advertising, and other advertising related costs." Sponsorships, media production and promotional items do not fit this description and are better suited under public relations services, other professional services and promotional supplies object codes. The Lottery will begin disclosing public relations services, media production and promotional supplies costs (which in total amount to less than one-half of one percent of annual operating costs) in the footnotes to the financial statements.*

3.2 *The Lottery Commission agrees with the recommendation.*

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## 4. Closed Meetings

The Commission did not always follow various requirements in Chapter 610, RSMo (the Sunshine law), regarding closed meetings. The Commission meets quarterly and typically holds a closed meeting.

The Commission did not document how some items discussed in closed meetings complied with the Sunshine Law. These items included general discussions regarding Americans with Disabilities Act compliance issues, internet gaming, illegal gaming, and pull-tabs. It is unclear how these topics meet the exceptions established for closing a meeting. In addition, the discussion of budgetary issues and the announcement of the resignation of an employee do not appear to be proper subjects for a closed meeting.

The Commission also discussed some topics in a closed meeting other than the exceptions identified for closing the meeting. For example, the Commission discussed the job expectation of the Executive Director and the handling of illegal gaming machines; however, an exception related to these topics was not identified as a reason for the closed meeting.

The Commission also closed some meetings by identifying specific exceptions; however, there were no documented discussions regarding these exceptions. Litigation was listed as an exception for closing the November 2009 meeting; however, there was no documentation that legal issues, cause of action, or litigation was discussed. Also, the March 2012 meeting listed communications between the Commission and its auditors as an exception for a closed meeting; however, there was no documentation that audit work or reports were discussed.

The Sunshine Law requires a closed meeting, record, or vote to be held only for the specific exceptions (reasons) announced publicly at an open session. This law also provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reason used



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to justify such meeting, record, or vote, and limits what type of topics can be discussed in closed session.

## Recommendation

The Lottery limit issues discussed in closed meetings to only those topics allowed by state law, and only to those specific topics listed to justify such a closed meeting. The Lottery should not list topics for a closed meeting that will not be discussed.

## Auditee's Response

*The Lottery Commission agrees with the recommendation.*

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# Missouri State Lottery Commission

## Organization and Statistical Information

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Pursuant to Sections 313.200 to 313.350, RSMo, the Missouri State Lottery Commission (Lottery) was created in June 1985. That action followed voter approval of a lottery amendment to the Missouri Constitution at the November 1984 general election. The Lottery began selling instant game tickets on January 20, 1986. From 1986 to 1993, lottery proceeds less prizes and expenses were transferred to the General Revenue Fund for appropriation by the General Assembly. Effective July 1, 1993, pursuant to a voter approved lottery amendment to Article III, Section 39(b), Missouri Constitution, lottery proceeds are transferred to the Lottery Proceeds Fund for appropriation by the General Assembly for educational purposes.

Section 313.321 RSMo, provides that money received from the sale of lottery tickets shall be divided as follows: A minimum of 45 percent shall be awarded as prizes; administration, advertising, promotion, and retailer compensation costs shall be paid as appropriated by the General Assembly; and the remainder shall be transferred to the Lottery Proceeds Fund to be appropriated solely for public institutions of elementary, secondary, and higher education.

Traditionally, the Lottery has paid out more than the minimum 45 percent of sales as prizes. The pay-out percentage has averaged 56.5 percent from 1986 to 2011. The prize percentage fluctuates each year based on factors such as the type of scratcher tickets sold (each game has a different prize structure) and the timing of payouts related to on-line sales such as the Powerball and Mega Millions games. The Lottery believes that more people will play if there are more prizes to receive.

Lottery retailers are authorized to redeem prizes up to \$600, or players may claim any prizes in person at any of the Lottery offices. Prizes are paid out of an imprest checking account. The Lottery revenues reported for the Lottery Enterprise Fund are net sales; however the transfers to the Lottery Proceeds Fund are based on gross sales.

A five-member Lottery commission is appointed by the governor with the advice and consent of the Senate. The commission must meet at least quarterly. The commission has the authority to promulgate rules as it deems necessary and desirable to fully implement the Lottery as mandated by the people in Article III, Missouri Constitution. It appoints a director to act as secretary of the commission and keep all books and records of the commission. The director of the Lottery oversees the commission's operation and administration. May Scheve Reardon has served as Executive Director since December 2009. As of June 30, 2011, members of the commission were:



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Missouri State Lottery Commission  
Organization and Statistical Information

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Commissioner	Term Expires
Pamela Wright	September 2010
Kevin Roberts	September 2011
Stephen Snead	September 2011
Gina Hoagland	September 2012
Jacque Land	September 2011

As of October 2012, all commission members' terms have expired. Section 313.215, RSMo, requires appointments to be made within 30 days of the expiration of a term. However, the current practice is for the member to serve until reappointed or a new member is appointed.

The Lottery staff is organized into three divisions: Executive; Sales, Marketing, and Communications; and Risk Management. Each division is headed by a director who coordinates activities to meet the commission's objectives. At June 30, 2011, the Missouri State Lottery Commission employed 159 individuals.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Missouri State Lottery Commission did not receive any federal stimulus monies during the 2 years ended June 30, 2011.

Appendix A

Missouri State Lottery Commission  
Comparative Statement of Appropriations and Expenditures

		Year Ended June 30,					
		2011			2010		
		Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
LOTTERY ENTERPRISE FUND							
Lottery Prizes	\$	125,000,000	123,196,951	1,803,049	125,000,000	124,999,306	694
Personal Services		6,993,837	6,775,402	218,435	6,993,837	6,837,782	156,055
Payment of real property leases, related services, utilities, system furniture, and structural modifications - Expense and Equipment		482,869	476,099	9,770	568,715	472,624	96,091
Expense and equipment		39,253,502	39,015,170	238,332	31,256,455	30,963,218	293,237
Total Lottery Enterprise Fund	\$	171,730,208	169,463,622	2,269,586	163,819,007	163,272,930	546,077

## Appendix B

### Missouri State Lottery Commission Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Personal service	\$ 6,775,402	6,837,782	6,930,753	6,927,670	6,671,844
Travel, instate	84,502	64,071	66,252	100,376	78,326
Travel, out-of-state	25,282	10,813	14,259	20,795	24,993
Fuel and utilities	37,902	34,242	34,422	32,298	25,751
Supplies	686,548	514,062	591,243	647,778	545,245
Professional development	96,154	66,167	94,453	80,839	90,960
Communication services and supplies	4,146,137	4,137,041	4,142,272	4,236,144	4,120,776
Services:					
Printing and binding	8,368,321	8,046,603	8,192,247	8,945,617	8,302,518
Advertising	7,982,054	1,855,338	1,249,065	1,308,886	1,473,578
Other business	8,514,643	8,521,109	8,337,092	8,614,931	8,345,827
Accounting and auditing	176,087	160,510	162,678	150,209	153,800
Public relations	1,108,247	567,966	357,074	437,576	499,612
Other professional	3,004,103	2,313,615	2,480,580	2,600,464	2,258,580
Housekeeping and janitorial	73,560	71,934	69,936	69,855	62,583
Maintenance and repair	1,150,715	1,187,127	1,509,345	1,272,319	1,641,318
Equipment:					
Computer	661,469	726,898	514,295	539,142	557,263
Motorized	110,058	34,980	103,960	245,498	249,819
Office	2,067	6,529	2,817	8,134	31,809
Other equipment	57,447	420,631	356,472	346,167	493,634
Property and improvements	311,876	178,335	33,338	8,869	301,873
Real property rentals and leases	439,209	428,225	439,540	316,352	318,726
Equipment rental and leases	1,911,077	1,494,240	1,423,051	1,330,891	646,657
Lottery prizes	121,549,770	124,825,871	115,298,724	120,965,226	107,887,858
Lottery prizes-merchandise	1,647,181	173,435	8,046	289,965	1,018,405
Lottery retailer-incentives	370,637	506,138	482,320	376,767	463,999
Lottery retailer incentive - merchandise	104,769	47,234	28,925	13,977	322,390
Agency provided food	5,221	10,353	9,567	20,117	7,908
Miscellaneous expense	58,819	30,584	24,459	25,092	33,506
Refunds	4,365	1,097	2,857	4,603	9,682
Total Expenditures	\$ <u>169,463,622</u>	<u>163,272,930</u>	<u>152,960,042</u>	<u>159,936,557</u>	<u>146,639,240</u>

## Appendix C

### Missouri State Lottery Commission Statement of Changes in General Capital Assets Lottery Enterprise Fund

	Furniture and Equipment	Buildings	Software and Intangibles	Vehicles	Land	Total
Balance, June 30, 2009	\$ 5,500,774	4,807,276	1,652,654	1,224,319	352,973	13,537,996
Additions	916,781	0	16,380	34,981	0	968,142
Dispositions	(372,037)	0	0	(56,911)	0	(428,948)
Balance, June 30, 2010	6,045,518	4,807,276	1,669,034	1,202,389	352,973	14,077,190
Additions	512,864	0	38,404	209,412	0	760,680
Dispositions	(79,132)	0	0	(239,301)	0	(318,433)
Balance, June 30, 2011	<u>\$ 6,479,250</u>	<u>4,807,276</u>	<u>1,707,438</u>	<u>1,172,500</u>	<u>352,973</u>	<u>14,519,437</u>



**Missouri State Lottery Commission**  
(An Enterprise Fund of the State of Missouri)

**Statements of Net Assets As of June 30, 2011 and 2010**

	2011	2010
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 28,039,576	\$ 22,157,718
Investments held for grand-prize winners	8,609,476	10,553,992
Accounts receivable, net of allowances for returns	49,769,176	44,491,681
Other receivables	133,288	65,264
Prepaid expenses	166,464	158,494
Total current assets	<u>86,717,980</u>	<u>77,427,149</u>
<b>Noncurrent Assets:</b>		
Capital assets:		
Capital assets not being depreciated	634,758	485,326
Capital assets	14,157,716	13,642,647
Accumulated depreciation	<u>(11,427,747)</u>	<u>(10,669,492)</u>
	3,364,727	3,458,481
Investments held for grand-prize winners	<u>47,260,330</u>	<u>54,617,645</u>
Total noncurrent assets	<u>50,625,057</u>	<u>58,076,126</u>
Total assets	<u>137,343,037</u>	<u>135,503,275</u>
<b>Current Liabilities:</b>		
Accounts payable	84,437	81,511
Due to Lottery Proceeds Fund	27,687,264	21,833,442
Accrued prize liabilities	47,014,403	41,695,520
Grand-prize winner liabilities	8,614,000	10,560,000
Other accrued liabilities	<u>3,663,342</u>	<u>3,598,307</u>
Total current liabilities	<u>87,063,446</u>	<u>77,768,780</u>
<b>Long-term Liabilities:</b>		
Due to Lottery Proceeds Fund	3,023,784	3,122,858
Grand-prize winner liabilities	<u>40,953,070</u>	<u>46,662,404</u>
Total long-term liabilities	<u>43,976,854</u>	<u>49,785,262</u>
Total liabilities	<u>131,040,300</u>	<u>127,554,042</u>
<b>Net Assets:</b>		
Invested in capital assets	3,364,727	3,458,481
Unrestricted	<u>(3,364,727)</u>	<u>(3,458,481)</u>
Restricted through Constitutional provisions	<u>6,302,737</u>	<u>7,949,233</u>
Total net assets	<u>\$ 6,302,737</u>	<u>\$ 7,949,233</u>

Source: Excerpt from the Missouri State Lottery Commission's audited financial statements.

**Missouri State Lottery Commission**  
(An Enterprise Fund of the State of Missouri)

**Statements of Revenues, Expenses and Changes In Net Assets**  
**For The Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Operating Revenues:</b>		
Scratchers ticket sales	\$ 666,315,849	\$ 638,062,954
Draw Game ticket sales	334,362,557	333,801,531
Total sales	1,000,678,406	971,864,485
Other	523,186	50,414
Total operating revenues	1,001,201,592	971,914,899
<b>Operating Expenses:</b>		
Scratchers prizes	456,079,511	441,530,646
Draw Game prizes	182,930,684	186,527,348
Scratchers retailer commissions and incentives	42,190,539	40,344,338
Draw Game retailer commissions and incentives	19,659,726	19,556,045
Cost of tickets sold	16,522,096	16,106,631
Advertising	7,943,537	1,850,163
Wages and benefits	9,831,552	9,946,081
Other general and administrative	9,873,506	8,009,882
Depreciation	1,039,869	1,003,231
Total operating expenses	746,071,020	724,874,365
Operating income	255,130,572	247,040,534
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	151,545	310,040
Unclaimed prizes	9,853,309	12,318,398
Net increase in the fair value of investments held for grand-prize winners	1,258,170	4,560,063
Amortization of grand-prize winner liability	(2,904,666)	(3,381,475)
Gain on disposal of capital assets	43,687	3,739
Transfers to State of Missouri Lottery Proceeds Fund	(265,179,113)	(259,672,711)
Total nonoperating revenues (expenses)	(256,777,068)	(245,861,946)
Changes in net assets	(1,646,496)	1,178,588
<b>Total Net Assets, beginning of year</b>	7,949,233	6,770,645
<b>Total Net Assets, end of year</b>	\$ 6,302,737	\$ 7,949,233

Source: Excerpt from the Missouri State Lottery Commission's audited financial statements.

**Missouri State Lottery Commission**  
(An Enterprise Fund of the State of Missouri)

**Statements of Cash Flows**  
**For The Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Cash received from retailers and others	\$ 995,856,073	\$ 965,515,045
Cash paid for prizes	(634,398,003)	(626,244,208)
Cash paid for retailer commissions	(61,735,559)	(59,882,155)
Cash paid for employee services	(9,873,782)	(9,970,908)
Cash paid for other expenses	(34,351,625)	(25,991,300)
Net cash provided by operating activities	<u>255,497,104</u>	<u>243,426,474</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Transfers to State of Missouri	<u>(259,424,365)</u>	<u>(255,030,946)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Purchases of capital assets	(947,953)	(1,019,082)
Proceeds from sale of capital assets	<u>45,527</u>	<u>39,122</u>
Net cash used for capital and related financing activities	<u>(902,426)</u>	<u>(979,960)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from maturity of investments	10,560,000	11,594,000
Interest received	<u>151,545</u>	<u>310,040</u>
Net cash provided by investing activities	<u>10,711,545</u>	<u>11,904,040</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	5,881,858	(680,392)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>22,157,718</u>	<u>22,838,110</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 28,039,576</u></u>	<u><u>\$ 22,157,718</u></u>
<b>Reconciliation of Operating Income To Net Cash Provided By Operating Activities:</b>		
Operating income	\$ 255,130,571	\$ 247,040,534
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,039,869	1,003,231
Unclaimed prizes	9,853,309	12,318,398
Payments to grand-prize winners	(10,560,000)	(11,594,000)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, net	(5,277,495)	(6,421,736)
(Increase) decrease in other receivables	(68,024)	21,881
(Increase) in prepaid expenses	(7,970)	(10,651)
Increase (decrease) in accounts payable and other accrued liabilities	67,961	(20,571)
Increase in accrued prize liabilities	<u>5,318,883</u>	<u>1,089,388</u>
Net cash provided by operating activities	<u><u>\$ 255,497,104</u></u>	<u><u>\$ 243,426,474</u></u>
<b>Noncash Activities:</b>		
Net increase in the fair value of investments held for grand-prize winners	\$ 1,258,170	\$ 4,560,063
Amortization of grand-prize winner liability	\$ 2,904,666	\$ 3,381,475

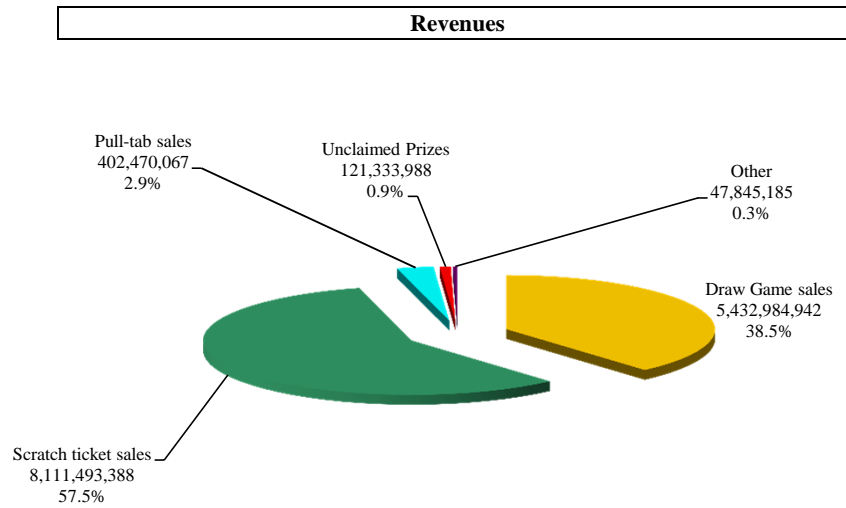
Source: Excerpt from the Missouri State Lottery Commission's audited financial statements.

## Appendix G

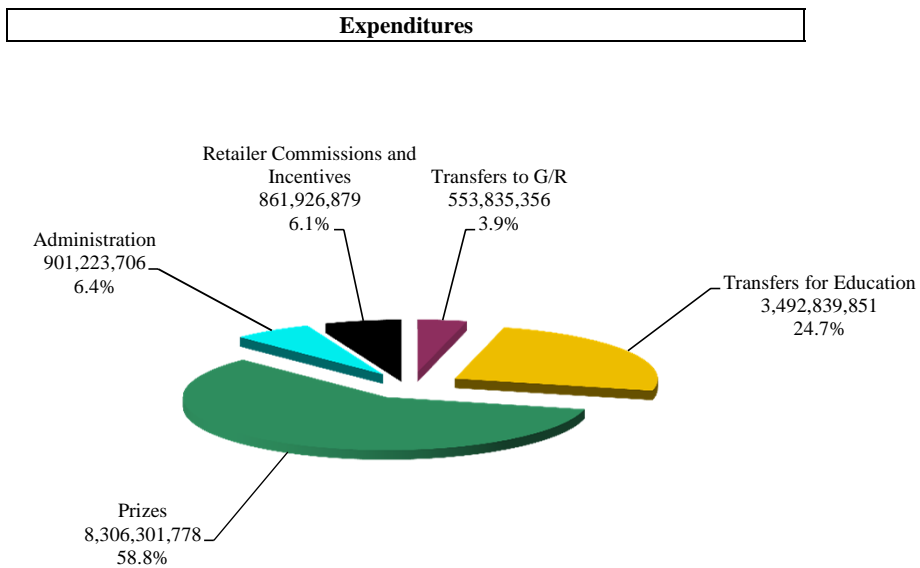
### Missouri State Lottery Commission

#### Revenue and Expenditure Charts

January 20, 1986 Through June 30, 2011



Total Revenues: \$14,116,127,570

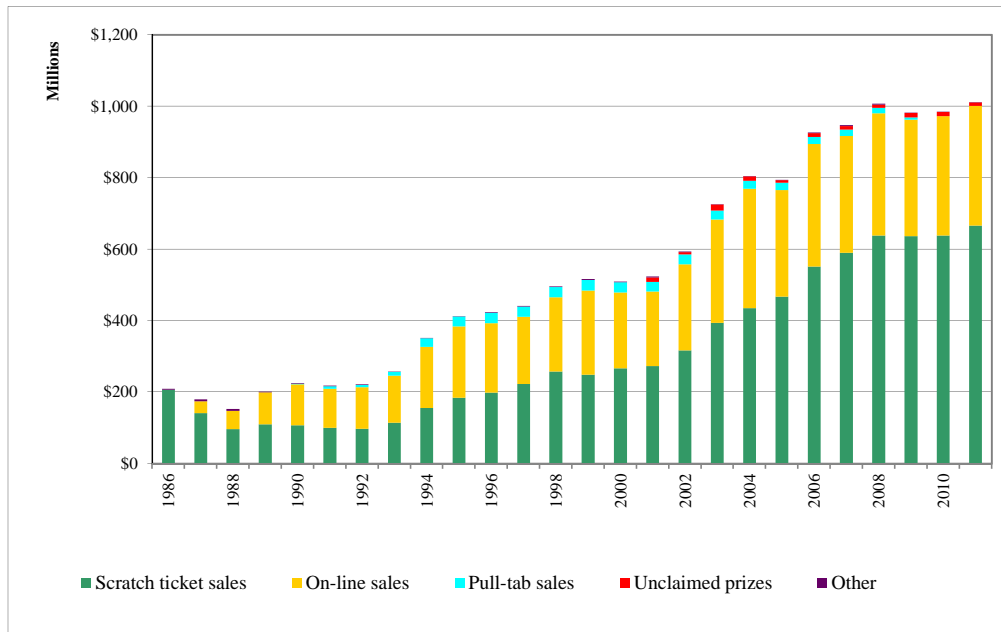


Total Expenditures: \$14,116,127,570

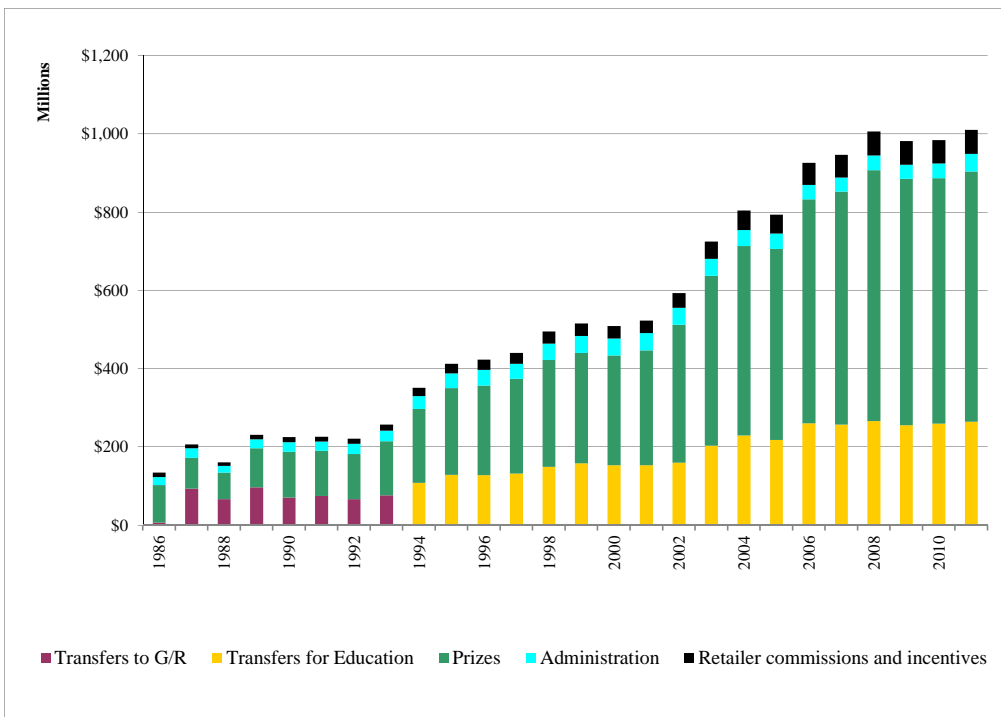
## Appendix H

### Missouri State Lottery Commission Revenue and Expenditure Charts January 20, 1986 Through June 30, 2011

**Revenues**



**Expenditures**





Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Pemiscot County

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November 2012  
Report No. 2012-140



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<http://auditor.mo.gov>

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# Pemiscot County

## Follow-Up Report on Audit Findings

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\*Includes selected findings



# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Pemiscot County

We have conducted follow-up work on certain audit report findings contained in Report No. 2011-65, *Pemiscot County*, issued in September 2011, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed written statuses of selected findings and recommendations, reviewed supporting documentation submitted by county officials, and held discussions with county officials. Documentation provided by the county included budgets, budget to actual reports, fuel logs, bank statements, deposit records, transaction listings, and other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during August 2012.

Thomas A. Schweich  
State Auditor



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# Pemiscot County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. **Financial Condition and Budgets** Several county funds were in poor financial condition. The financial condition was also affected by poor budgeting procedures.

- 1.1 **Financial Condition** The financial condition of the county was weak. In addition, the County Commission did not adequately monitor budgets. The General Revenue, Special Road and Bridge, and Assessment Funds continued to deteriorate and were not expected to improve during 2011 and the county continued to operate some funds with negative cash balances. As a result, the county used other county funds included in its bank account, including restricted funds, to meet general cash flow needs. As of December 31, 2010, the General Revenue, Special Road and Bridge, and Assessment Funds had negative cash balances totaling \$646,294, \$158,038, and \$65,496, respectively, and the projected cash balances for 2011 showed little to no improvement. The county had no specific plans to significantly increase receipts or reduce disbursements. In addition, although the County Commission indicated it reviewed monthly reports comparing budget and actual receipts and disbursements for all county funds, actual disbursements exceeded budgeted disbursements for several funds, including funds with negative cash balances.

**Recommendation** The County Commission closely monitor the financial condition of the General Revenue, Special Road and Bridge, and Assessment Funds and take the necessary steps to improve the financial condition of the county. The County Commission should also perform long-term planning and ensure receipts are maximized and disbursements are closely monitored. In addition, the County Commission should also ensure budgets are adequately monitored and establish procedures to ensure disbursements are made within the constraints of the budgets.

**Status** **In Progress**

The County Commission and County Clerk indicated they are more closely monitoring the financial condition of the county and are taking steps to improve the financial condition of the county's General Revenue, Special Road and Bridge, and Assessment Funds. During the 2012 budget process, the County Clerk met with each official and department to help determine ways to reduce expenses and personnel costs. The county reduced some 2012 budgeted expenditures from amounts budgeted in past years. Although specific long-term plans have not been put in place to improve the financial condition of the county, the County Commission and County Clerk plan to continue to work closely with other officials to decrease expenditures and stay within the constraints of the approved budget. The County Commission and County Clerk indicated they review budget to actual reports on a frequent basis and periodically share those reports with the other officials and departments to help ensure expenditures stay within the constraints of the approved budget.



Pemiscot County  
Follow-up Report on Prior Audit Findings  
Status of Findings

The General Revenue Fund continues to have a negative cash balance and progress to improve the financial condition of the fund remains slow. The General Revenue Fund further declined by the end of 2011, with an ending cash balance approximately \$235,000 less than originally estimated, bringing the cash available at December 31, 2011, to a negative \$933,872. In 2012, appropriated expenditures were decreased and the budget reflects anticipated improvement in the General Revenue Fund balance by approximately \$90,000 from the prior year. County officials indicated as of August 2012, budget to actual reports are showing the county is on track to be within the constraints of the 2012 approved budget.

The Special Road and Bridge Fund has significantly improved. In 2011, revenues exceeded estimates and actual expenditures were less than budgeted, resulting in a positive ending cash balance of \$198,630 at December 31, 2011. In addition, the 2012 budget shows an additional decrease in appropriated expenditures and projects an ending cash balance of \$279,634 by the end of the year. County officials indicated as of August 2012, actual revenues and expenditures appeared to be on target and within the constraints of the budget.

The Assessment Fund has shown no improvement since our audit. As of December 31, 2011, the available cash balance further declined to a negative \$126,938, and the estimated ending cash balance for 2012 reflects minimal improvement. According to county officials, some improvement could be made to the financial condition of the Assessment Fund during 2012 if the county receives the allowed reimbursements from the State Tax Commission as it has in past years. However, due to an unapproved Assessment Maintenance Plan, a requirement to receive the reimbursements, the 2012 budget did not include approximately \$47,000 in estimated revenues since the county was unsure if the reimbursements would actually be received. In addition, county officials indicated that as of August 2012, appropriated expenditures are expected to be exhausted prior to the end of the year.

## 1.2 Budgetary Procedures

Budgetary procedures were not adequate and contributed to the county's poor financial condition. The County Commission continued to approve deficit budgets for multiple funds, including the General Revenue, Special Road and Bridge, and Assessment Funds.

### Recommendation

The County Commission refrain from budgeting deficit balances.

### Status

#### **In Progress**

As noted in section 1.1, the County Commission and County Clerk have taken steps to improve the financial condition of the county; however, progress remains slow. As a result, the 2012 budget continues to reflect deficit budgeted balances. In 2012, the Special Road and Bridge Fund



Pemiscot County  
Follow-up Report on Prior Audit Findings  
Status of Findings

approved budget reflects a positive estimated ending cash balance; however, both the General Revenue Fund and Assessment Fund budgets reflect deficit ending estimated balances.

## 2. Property Taxes

The County Collector's deposit procedures needed improvement. In addition, the County Clerk and the County Commission did not provide adequate monitoring over property tax system activities.

### 2.1 Deposits

Receipts were not always deposited intact and monies received during non-peak months were not deposited on a timely basis.

#### Recommendation

The County Collector deposit monies intact and on a timely basis.

#### Status

##### **In Progress**

The timeliness of deposits during non-peak months has not significantly improved. However, the County Collector indicated arrangements are in progress with a local bank to pick up prepared deposits on a daily basis, during both peak and non-peak months, to be deposited into the County Collector's bank account.

### 2.2 Account Book and Annual Settlement

Neither the County Commission nor the County Clerk reviewed the activities of the County Collector. While the County Clerk maintained files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk did not use this information to create an account book or other record summarizing property tax transactions and changes. As a result, the County Clerk and County Commission were unable to ensure the accuracy and completeness of the County Collector's monthly and annual settlements.

#### Recommendation

The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Commission and County Clerk should monitor property tax system activities and perform a thorough review of the County Collector's monthly and annual settlements.

#### Status

##### **In Progress**

To date, an account book or other record summarizing the activities of the County Collector's office has not been prepared or maintained. County officials indicated they plan to contact other counties to determine the best way to maintain an account book for use in reviewing the County Collector's monthly and annual settlements. The County Clerk and County Commission indicated they continue to perform limited reviews of the County Collector's monthly and annual settlements and will include the use of an account book for this review once it is created.



Pemiscot County  
Follow-up Report on Prior Audit Findings  
Status of Findings

### 3.2 Leave Records

Centralized records of leave balances and leave used and earned were not maintained. Our review of records maintained by some county offices noted leave records were not always maintained and vacation leave used was in excess of leave balances for some employees. In addition, some employees used sick leave in excess of sick leave balances due to donated leave from other employees; however, the donated time was not documented and the county does not have a donated leave policy.

#### Recommendation

The County Commission maintain centralized leave records for all county employees and ensure individual leave balances comply with county policy. In addition, the County Commission should consider developing a policy regarding donated leave.

#### Status

##### **In Progress**

In January 2012, the county installed a new QuickBooks program to track leave on a centralized basis. The County Clerk indicated the county is still working out a few problems with the new program; however, once the program is operating properly it will be able to track leave balances on a centralized basis. In addition, county officials indicated they will consider adopting a donated leave policy for the county.

### 4.2 Vehicle and Fuel Use

The county had not established effective monitoring procedures regarding vehicle and fuel use. The Road and Bridge department did not maintain separate mileage logs for each vehicle/equipment and the centralized logs maintained were not organized by vehicle/equipment. As a result, individual vehicle/equipment use could not be easily reviewed and fuel use was not compared to mileage readings to help determine the reasonableness of fuel used. In addition, the county did not maintain adequate bulk fuel inventory records or attempt to reconcile fuel used to fuel purchased.

#### Recommendation

The County Commission establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use. In addition, bulk fuel inventory records should be maintained, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.

#### Status

##### **In Progress**

According to county officials, fuel use logs are now maintained for all county vehicles and equipment. The log information is entered into a spreadsheet to determine fuel use. Currently, the county Information Technology programmer is in the process of developing a method to best track and analyze fuel use. Bulk fuel tanks are now locked to help secure fuel for county purposes. In addition, although the gauges on the bulk fuel tanks do not work, the county estimates fuel levels and plans to start comparing fuel use to fuel purchased.



Pemiscot County  
Follow-up Report on Prior Audit Findings  
Status of Findings

7. Sheriff Inmate and  
Commissary Monies

Records and procedures over inmate and commissary monies needed improvement.

7.1 Receipts

The numerical sequence of receipt/transaction numbers in the computerized accounting system was not accounted for properly and several blocks of missing receipt/transaction numbers were noted. In addition, the method of payment (cash, check, money order) was not always indicated in the system accurately or reconciled to the composition of deposits.

Recommendation

The Sheriff ensure the numerical sequence of receipt/transaction numbers is accounted for properly. The Sheriff should also ensure the method of payment is accurately entered into the system and the composition of receipt slips is reconciled to the composition of deposits.

Status

**In Progress**

The Sheriff indicated he is working with an outside system programmer to ensure all receipt and transaction numbers will be reflected on system reports. In addition, the method of payment is now entered into the system and the composition of receipts per system reports is compared to the composition of deposits.

7.2 Bank Reconciliations

Follow up procedures were not performed on reconciling items shown on detailed bank reconciliations for the inmate bank account. Although Sheriff's office personnel posted checks and deposits that cleared the bank to the computer system to reconcile the Sheriff's book and bank records on a monthly basis, detailed bank reconciliations, which show all reconciling items, were not generated from the computer system and follow-up procedures were not performed to resolve reconciling items.

Recommendation

The Sheriff establish procedures to follow up on bank reconciling items on a timely basis.

Status

**In Progress**

The Sheriff indicated an outside accountant has been hired to help properly reconcile bank statements and follow-up on reconciling items.

7.3 Liabilities

Sheriff's office personnel had not identified month-end liabilities (inmate balances) and reconciled the liabilities to available cash balances to ensure monies in the bank account were adequate to cover amounts due to inmates. The Sheriff's office had been unable to generate a list of liabilities from the computerized accounting system to perform this reconciliation.

Recommendation

The Sheriff ensure individual inmate account balances and various liabilities are compared to the reconciled bank account balance monthly and any discrepancies are investigated.



Pemiscot County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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Status

**In Progress**

The Sheriff indicated an outside accountant has been hired to help properly reconcile month-end liabilities to the available cash balance.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Pike County, Missouri

The Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey-Beard-Boehmer PC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Thomas A. Schweich  
State Auditor

November 2012  
Report No. 2012-139

**FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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**CASEY-BEARD-BOEHMER PC  
CERTIFIED PUBLIC ACCOUNTANTS  
COLUMBIA, MISSOURI**



**PIKE COUNTY, MISSOURI  
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## **INDEPENDENT AUDITORS' REPORT**

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

January 22, 2013

## INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Pike County, Missouri

We have audited the accompanying financial statements of Pike County, Missouri, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of Pike County, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, Pike County, Missouri, prepares its financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pike County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts, disbursements, and changes in cash of the funds of Pike County, Missouri, as of December 31, 2011 and 2010, and budgetary results for the years then ended on the basis of accounting described in Note 1.

MEMBER  
•  
American  
Institute of  
Certified  
Public  
Accountants  
•  
Missouri  
Society of  
Certified  
Public  
Accountants  
•

**PIKE COUNTY, MISSOURI**  
**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013 on our consideration of Pike County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the county's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Pike County, Missouri. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, County Commission, others within the entity, the Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Casey-Beard-Boehmer PC*

Casey-Beard-Boehmer PC  
Certified Public Accountants

## **FINANCIAL SECTION**

**PIKE COUNTY, MISSOURI**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Fund	Cash January 1, 2010	Receipts	Disbursements	Cash December 31, 2010	Receipts	Disbursements	Cash December 31, 2011
General Revenue	\$ 1,252,327	1,901,483	1,917,183	1,236,627	2,109,294	2,025,539	1,320,382
Special Road and Bridge	161,906	2,491,308	2,151,144	502,070	2,713,704	2,949,323	266,451
Assessment	64,714	305,096	271,905	97,905	299,854	294,532	103,227
Law Enforcement Sales Tax	18,650	1,433,927	1,441,216	11,361	1,505,070	1,443,822	72,609
Law Enforcement Training	24,195	10,166	14,901	19,460	6,414	18,405	7,469
Recorder	69,277	10,826	17,810	62,293	11,215	36,479	37,029
Prosecuting Attorney Bad Check	38,438	15,650	24,377	29,711	13,771	23,321	20,161
911	12,755	145,010	96,279	61,486	158,175	90,436	129,225
Prosecuting Attorney Training	1,221	1,542	1,533	1,230	1,011	1,550	691
Prosecuting Attorney Tax	1,221	-	117	1,104	-	274	830
5% Statute Cost Election	4,134	907	2,929	2,112	75	-	2,187
Special Election	37,875	57,822	78,245	17,452	29,432	24,759	22,125
Tax Maintenance	102,795	24,792	43,446	84,141	22,360	19,763	86,738
Hospital	-	690,332	690,308	24	732,729	664,227	68,526
Help America Vote Act (HAVA)	1,020	-	-	1,020	-	-	1,020
Domestic Violence (1)	6,143	7,728	6,142	7,729	5,615	-	13,344
Sheriff's Revolving (1)	2,657	20,108	6,454	16,311	13,168	13,590	15,889
Inmate Security (1)	-	-	-	-	2,840	-	2,840
Law Enforcement Restitution (1)	7,116	11,333	-	18,449	9,499	16,346	11,602
Grant (CDBG) (2)	-	130,741	78,730	52,011	199,174	251,185	-
Totals	\$ <u>1,806,444</u>	<u>7,258,771</u>	<u>6,842,719</u>	<u>2,222,496</u>	<u>7,833,400</u>	<u>7,873,551</u>	<u>2,182,345</u>

(1) Budgets were not prepared by the county.

(2) A separate fund was not established for grant monies received but were deposited into a special bank account or the Treasurer's Miscellaneous account. Monies for pass-through of some federal awards are included and \$52,011 is also included as a deposit in 2010 and not distributed to the respective funds until 2011 when the County Commission knew what the grant funds were for and disbursed out to the General Fund.

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>General Revenue Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Property taxes	\$ 620,000	704,212	84,212	\$ 620,000	650,444	30,444
Sales taxes	690,000	732,244	42,244	650,000	689,218	39,218
Intergovernmental	96,950	166,426	69,476	96,950	143,906	46,956
Charges for services	347,950	323,678	(24,272)	347,950	307,759	(40,191)
Interest	-	5,023	5,023	26,000	16,021	(9,979)
Other	115,522	177,711	62,189	185,722	94,135	(91,587)
Total Receipts	\$ 1,870,422	2,109,294	238,872	\$ 1,926,622	1,901,483	(25,139)
<b>DISBURSEMENTS</b>						
General County Government-						
County Commission	\$ 98,329	98,253	(76)	\$ 99,829	98,794	(1,035)
County Clerk	104,303	103,258	(1,045)	76,136	102,603	26,467
Elections	65,256	64,294	(962)	80,756	78,704	(2,052)
Buildings and grounds	85,580	91,664	6,084	85,580	89,078	3,498
Employee fringe benefits	136,275	249,895	113,620	201,092	222,282	21,190
County Treasurer	58,436	54,325	(4,111)	55,736	49,967	(5,769)
County Collector	83,644	75,796	(7,848)	84,644	75,605	(9,039)
Recorder of Deeds	69,088	68,861	(227)	69,088	69,287	199
Circuit Clerk	38,713	23,990	(14,723)	38,713	29,954	(8,759)
Court Administration	77,700	42,471	(35,229)	77,700	38,942	(38,758)
Public Administrator	47,276	48,195	919	47,276	45,995	(1,281)
Public Safety-						
Prosecuting Attorney	233,016	224,374	(8,642)	224,264	222,581	(1,683)
Juvenile Officer	63,174	42,107	(21,067)	65,110	48,096	(17,014)
County Coroner	21,600	29,968	8,368	34,000	29,888	(4,112)
Other	108,621	93,567	(15,054)	121,235	111,356	(9,879)
Miscellaneous	395,600	249,678	(145,922)	270,250	183,615	(86,635)
Pike County Development Authority	-	30,000	30,000	-	25,750	25,750
Public Defender	4,800	4,086	(714)	4,800	4,086	(714)
Health and welfare	6,000	2,700	(3,300)	6,000	3,600	(2,400)
Transfers out	379,858	378,858	(1,000)	387,000	387,000	-
Emergency Fund	85,000	49,199	(35,801)	85,000	-	(85,000)
Total Disbursements	\$ 2,162,269	2,025,539	(136,730)	\$ 2,114,209	1,917,183	(197,026)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (291,847)	83,755	375,602	\$ (187,587)	(15,700)	171,887
CASH, JANUARY 1	1,236,627	1,236,627	-	1,252,327	1,252,327	-
CASH, DECEMBER 31	\$ 944,780	1,320,382	375,602	\$ 1,064,740	1,236,627	171,887

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Special Road and Bridge Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Property taxes	\$ 557,000	557,924	924	\$ 425,000	480,891	55,891
Sales taxes	811,000	811,052	52	750,000	756,370	6,370
Intergovernmental	1,286,750	1,287,340	590	1,262,500	1,021,704	(240,796)
Interest	4,500	3,080	(1,420)	5,000	4,103	(897)
Other	5,000	54,308	49,308	211,000	228,240	17,240
Total Receipts	\$ 2,664,250	2,713,704	49,454	\$ 2,653,500	2,491,308	(162,192)
<b>DISBURSEMENTS</b>						
Salaries	\$ 502,702	504,510	1,808	\$ 543,275	528,779	(14,496)
Employee fringe benefits	182,500	172,040	(10,460)	179,202	144,482	(34,720)
Supplies	273,000	226,484	(46,516)	197,500	207,049	9,549
Insurance	43,000	41,966	(1,034)	68,000	51,568	(16,432)
Road and bridge materials	1,061,000	973,867	(87,133)	900,000	758,934	(141,066)
Equipment repairs	126,000	125,835	(165)	90,000	82,190	(7,810)
Rentals	15,000	13,890	(1,110)	500	-	(500)
Equipment purchases	526,000	483,249	(42,751)	35,000	30,585	(4,415)
Road and bridge construction	360,000	395,723	35,723	690,000	335,444	(354,556)
Services and other	10,000	11,759	1,759	13,000	12,113	(887)
Total Disbursements	\$ 3,099,202	2,949,323	(149,879)	\$ 2,716,477	2,151,144	(565,333)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (434,952)	(235,619)	199,333	\$ (62,977)	340,164	403,141
CASH, JANUARY 1	502,070	502,070	-	161,906	161,906	-
CASH, DECEMBER 31	\$ 67,118	266,451	199,333	\$ 98,929	502,070	403,141

<b>Assessment Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Intergovernmental	\$ 211,720	242,407	30,687	\$ 222,706	247,881	25,175
Interest	1,000	710	(290)	1,000	1,259	259
Other	7,100	10,379	3,279	7,500	9,956	2,456
Transfers in	46,358	46,358	-	46,373	46,000	(373)
Total Receipts	\$ 266,178	299,854	33,676	\$ 277,579	305,096	27,517
<b>DISBURSEMENTS</b>						
Assessor	\$ 336,060	294,532	(41,528)	\$ 338,206	271,905	(66,301)
Total Disbursements	\$ 336,060	294,532	(41,528)	\$ 338,206	271,905	(66,301)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (69,882)	5,322	75,204	\$ (60,627)	33,191	93,818
CASH, JANUARY 1	97,905	97,905	-	64,714	64,714	-
CASH, DECEMBER 31	\$ 28,023	103,227	75,204	\$ 4,087	97,905	93,818



**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Law Enforcement Sales Tax Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over ( Under) Budget
<b>RECEIPTS</b>						
Sales taxes	\$ 770,000	811,138	41,138	\$ 770,000	756,451	(13,549)
Intergovernmental	245,000	257,634	12,634	255,500	239,283	(16,217)
Charges for services	48,500	38,762	(9,738)	50,900	48,541	(2,359)
Interest	800	264	(536)	1,100	649	(451)
Other	52,000	39,772	(12,228)	48,500	49,003	503
Transfers in	357,500	357,500	-	340,000	340,000	-
Total Receipts	\$ 1,473,800	1,505,070	31,270	\$ 1,466,000	1,433,927	(32,073)
<b>DISBURSEMENTS</b>						
Salaries	\$ 821,252	796,553	(24,699)	\$ 821,252	816,868	(4,384)
Employee fringe benefits	227,240	222,901	(4,339)	227,240	206,968	(20,272)
Office	253,506	254,195	689	242,506	242,174	(332)
Jail	154,000	161,307	7,307	165,000	156,809	(8,191)
Other	-	8,866	8,866	-	18,397	18,397
Total Disbursements	\$ 1,455,998	1,443,822	(12,176)	\$ 1,455,998	1,441,216	(14,782)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 17,802	61,248	43,446	\$ 10,002	(7,289)	(17,291)
CASH, JANUARY 1	11,361	11,361	-	18,650	18,650	-
CASH, DECEMBER 31	\$ 29,163	72,609	43,446	\$ 28,652	11,361	(17,291)

<b>Law Enforcement Training Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Charges for services	\$ 6,000	6,369	369	\$ 6,000	9,024	3,024
Interest	-	45	45	-	142	142
Transfers in	-	-	-	-	1,000	1,000
Total Receipts	\$ 6,000	6,414	414	\$ 6,000	10,166	4,166
<b>DISBURSEMENTS</b>						
Sheriff	\$ 12,500	18,405	5,905	\$ 12,500	14,901	2,401
Total Disbursements	\$ 12,500	18,405	5,905	\$ 12,500	14,901	2,401
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,500)	(11,991)	(5,491)	\$ (6,500)	(4,735)	1,765
CASH, JANUARY 1	19,460	19,460	-	24,195	24,195	-
CASH, DECEMBER 31	\$ 12,960	7,469	(5,491)	\$ 17,695	19,460	1,765

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Recorder Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 12,000	11,215	(785)	\$ 14,000	10,826	(3,174)
Total Receipts	\$ 12,000	11,215	(785)	\$ 14,000	10,826	(3,174)
DISBURSEMENTS						
Office	\$ 19,000	36,479	17,479	\$ 16,000	17,810	1,810
Total Disbursements	\$ 19,000	36,479	17,479	\$ 16,000	17,810	1,810
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (7,000)	(25,264)	(18,264)	\$ (2,000)	(6,984)	(4,984)
CASH, JANUARY 1	62,293	62,293	-	69,277	69,277	-
CASH, DECEMBER 31	\$ 55,293	37,029	(18,264)	\$ 67,277	62,293	(4,984)

<b>Prosecuting Attorney Bad Check Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 49,805	13,645	(36,160)	\$ 59,492	15,391	(44,101)
Interest	200	126	(74)	240	259	19
Total Receipts	\$ 50,005	13,771	(36,234)	\$ 59,732	15,650	(44,082)
DISBURSEMENTS						
Office	\$ 38,000	23,321	(14,679)	\$ 40,000	24,377	(15,623)
Total Disbursements	\$ 38,000	23,321	(14,679)	\$ 40,000	24,377	(15,623)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 12,005	(9,550)	(21,555)	\$ 19,732	(8,727)	(28,459)
CASH, JANUARY 1	29,711	29,711	-	38,438	38,438	-
CASH, DECEMBER 31	\$ 41,716	20,161	(21,555)	\$ 58,170	29,711	(28,459)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	911 Fund					
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 140,000	157,817	17,817	\$ 140,000	144,860	4,860
Interest	-	358	358	-	150	150
Total Receipts	\$ 140,000	158,175	18,175	\$ 140,000	145,010	5,010
DISBURSEMENTS						
Salary	\$ 24,083	24,083	-	\$ 24,083	24,083	-
Employee fringe benefits	7,380	4,023	(3,357)	7,380	5,432	(1,948)
Other	44,883	37,330	(7,553)	55,992	66,764	10,772
Transfers out	50,000	25,000	(25,000)	50,000	-	(50,000)
Total Disbursements	\$ 126,346	90,436	(35,910)	\$ 137,455	96,279	(41,176)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 13,654	67,739	54,085	\$ 2,545	48,731	46,186
CASH, JANUARY 1	61,486	61,486	-	12,755	12,755	-
CASH, DECEMBER 31	\$ 75,140	129,225	54,085	\$ 15,300	61,486	46,186

	Prosecuting Attorney Training Fund						
	2011				2010		
	Final Budget	Actual	Actual Over (Under) Budget		Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS							
Charges for services	\$ 14,229	-	(14,229)	\$	850	-	(850)
Other	-	1,011	1,011		-	1,542	1,542
Total Receipts	\$ 14,229	1,011	(13,218)	\$	850	1,542	692
DISBURSEMENTS							
Training	\$ 2,000	1,550	(450)	\$	850	1,533	683
Total Disbursements	\$ 2,000	1,550	(450)	\$	850	1,533	683
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 12,229	(539)	(12,768)	\$	-	9	9
CASH, JANUARY 1	1,230	1,230	-		1,221	1,221	-
CASH, DECEMBER 31	\$ 13,459	691	(12,768)	\$	1,221	1,230	9

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Prosecuting Attorney Tax Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ 1,104	-	(1,104)	\$ -	-	-
Total Receipts	\$ 1,104	-	(1,104)	\$ -	-	-
DISBURSEMENTS						
Office	\$ 1,104	274	(830)	\$ 500	117	(383)
Total Disbursements	\$ 1,104	274	(830)	\$ 500	117	(383)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	(274)	(274)	\$ (500)	(117)	383
CASH, JANUARY 1	1,104	1,104	-	1,221	1,221	-
CASH, DECEMBER 31	\$ 1,104	830	(274)	\$ 721	1,104	383

<b>5% Statute Cost Election Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ 1,000	75	(925)	\$ 1,000	907	(93)
Total Receipts	\$ 1,000	75	(925)	\$ 1,000	907	(93)
DISBURSEMENTS						
Office	\$ -	-	-	\$ -	2,929	2,929
Mileage and training	500	-	(500)	500	-	(500)
Total Disbursements	\$ 500	-	(500)	\$ 500	2,929	2,429
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 500	75	(425)	\$ 500	(2,022)	(2,522)
CASH, JANUARY 1	2,112	2,112	-	4,134	4,134	-
CASH, DECEMBER 31	\$ 2,612	2,187	(425)	\$ 4,634	2,112	(2,522)

**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Special Election Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ 40,000	29,432	(10,568)	\$ 40,000	57,822	17,822
Total Receipts	\$ 40,000	29,432	(10,568)	\$ 40,000	57,822	17,822
DISBURSEMENTS						
Office	\$ 42,000	24,759	(17,241)	\$ 42,000	78,245	36,245
Total Disbursements	\$ 42,000	24,759	(17,241)	\$ 42,000	78,245	36,245
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,000)	4,673	6,673	\$ (2,000)	(20,423)	(18,423)
CASH, JANUARY 1	16,640	17,452	812	37,873	37,875	2
CASH, DECEMBER 31	\$ 14,640	22,125	7,485	\$ 35,873	17,452	(18,421)

<b>Tax Maintenance Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over ( Under) Budget
RECEIPTS						
Charges for services	\$ 19,000	21,951	2,951	\$ 19,000	23,714	4,714
Interest	-	409	409	-	1,078	1,078
Total Receipts	\$ 19,000	22,360	3,360	\$ 19,000	24,792	5,792
DISBURSEMENTS						
Office	\$ 20,000	19,763	(237)	\$ 20,000	43,446	23,446
Total Disbursements	\$ 20,000	19,763	(237)	\$ 20,000	43,446	23,446
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,000)	2,597	3,597	\$ (1,000)	(18,654)	(17,654)
CASH, JANUARY 1	84,141	84,141	-	102,795	102,795	-
CASH, DECEMBER 31	\$ 83,141	86,738	3,597	\$ 101,795	84,141	(17,654)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**PIKE COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Hospital Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales taxes	\$ 630,000	731,810	101,810	\$ 630,000	688,787	58,787
Interest	-	919	919	-	1,545	1,545
Total Receipts	\$ 630,000	732,729	102,729	\$ 630,000	690,332	60,332
DISBURSEMENTS						
Construction	\$ 435,000	431,244	(3,756)	\$ 435,000	327,302	(107,698)
Other	230,000	232,983	2,983	230,000	363,006	133,006
Total Disbursements	\$ 665,000	664,227	(773)	\$ 665,000	690,308	25,308
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (35,000)	68,502	103,502	\$ (35,000)	24	35,024
CASH, JANUARY 1	24	24	-	-	-	-
CASH, DECEMBER 31	\$ (34,976)	68,526	103,502	\$ (35,000)	24	35,024

<b>Help America Vote Act Fund (HAVA)</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 3,000	-	(3,000)	\$ 3,000	-	(3,000)
Interest	25	-	(25)	25	-	(25)
Total Receipts	\$ 3,025	-	(3,025)	\$ 3,025	-	(3,025)
DISBURSEMENTS						
HAVA expenses	\$ 3,000	-	(3,000)	\$ 3,000	-	(3,000)
Total Disbursements	\$ 3,000	-	(3,000)	\$ 3,000	-	(3,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 25	-	(25)	\$ 25	-	(25)
CASH, JANUARY 1	1,020	1,020	-	1,020	1,020	-
CASH, DECEMBER 31	\$ 1,045	1,020	(25)	\$ 1,045	1,020	(25)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

## **NOTES TO FINANCIAL STATEMENTS**

**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Pike County, Missouri is governed by a three-member board of commissioners. In addition to the three County Commissioners, there are eleven elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder of Deeds, Collector, Treasurer, Coroner, Prosecuting Attorney, Public Administrator, Surveyor, and Sheriff.

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

**1. A. REPORTING ENTITY**

The County's operations include tax assessments and collections, state/county courts administration, county recorder, public safety and 911, economic development, road and bridge maintenance, public welfare, and social and human services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The Senate Bill 40 Board Fund, with a separate appointed board, is separately audited by an independent certified public accounting firm and, therefore, is not included in this report.

The financial statements referred to above include the primary government of Pike County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the county's legal entity.

**1. B. BASIS OF PRESENTATION**

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts, and expenditures/disbursements. The county's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The county's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain county officials, particularly the County Collector, Treasurer, Public Administrator, and Sheriff, may collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

**1. C. BASIS OF ACCOUNTING**

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.



**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. D. BUDGETS AND BUDGETARY ACCOUNTING**

The county follows these procedures in establishing the budget information:

1. In accordance with Chapter 50 RSMo, the county's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer or department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission, the budget documents are available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Budgets are prepared and adopted on the cash basis of accounting.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote. Budgeted amounts are as originally adopted, or as amended by the County Commission during the year. The County Commission amended budgets for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>
General Revenue	2011
Special Road and Bridge	2011

8. Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the Sheriff's Revolving Fund, Law Enforcement Restitution Fund, and Domestic Violence Fund for the years ended December 31, 2011 and 2010, and the Inmate Security Fund for the year ended December 31, 2011.
9. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. The Hospital Fund had a deficit budgeted cash balance of (\$34,976) and (\$35,000) for the year ended December 31, 2011 and 2010, respectively. No other funds had a budgeted deficit cash balance for 2010 or 2011.
10. Section 50.740, RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds for 2011 and 2010.

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training	2011 and 2010
Hospital	2010
Recorder	2011 and 2010
Prosecuting Attorney Training	2010
5% Statute Cost Election	2010
Special Election	2010
Tax Maintenance	2010

**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. E. USE OF ESTIMATES**

The preparation of these financial statements by the county requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**1. F. PROPERTY TAXES**

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as on January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments in the county.

The assessed valuation of the tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

	2011		2010
Real Estate	\$ 138,474,600	\$	137,058,630
Personal Property	50,747,531		51,319,624
Railroad and Utilities	56,583,538		52,240,755
Total Assessed Valuation	\$ 245,805,669	\$	240,619,009

The county-wide levy per \$100 of the assessed valuation of tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

	2011		2010
General Revenue Fund	\$ .2926	\$	.2879
Special Road and Bridge Fund *	.3063		.3065
Hospital Fund (Maintenance)	.2103		.2104
Pike County Developmental Disability	.1902		.1903

\* The county retains all tax proceeds from areas not within special road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth. The road district also has an additional levy approved by the voters.

**1. G. CASH DEPOSITS**

Cash deposits are stated at cost, which approximates market. Cash balances for the County Treasurer funds are invested in separate interest-bearing bank accounts to the extent possible. Interest earned from such investments is recorded in each of the funds as appropriate. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days is considered as cash equivalents. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par.

**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the county's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

**1. H. INTERFUND ACTIVITY**

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Transfers between funds of the primary government for the years ended December 31, 2011 and 2010 were as follows:

		Year Ended December 31, 2011	
		Transfers In	Transfers Out
<b>FUNDS:</b>			
General Revenue	\$	-	\$ 378,858
Law Enforcement Sales Tax		357,500	-
Assessment		46,358	-
911		-	25,000
Totals	\$	<u>403,858</u>	<u>\$ 403,858</u>

		Year Ended December 31, 2010	
		Transfers In	Transfers Out
<b>FUNDS:</b>			
General Revenue	\$	-	\$ 387,000
Law Enforcement Sales Tax		340,000	-
Assessment		46,000	-
Law Enforcement Training		1,000	-
Totals	\$	<u>387,000</u>	<u>\$ 387,000</u>

**1. I. PUBLISHED FINANCIAL STATEMENTS**

Under Section 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. For the years ended December 31, 2011 and 2010, the published financial statements did not include all funds and the required information as follows: For 2011, the Law Enforcement Restitution Fund was not shown and for 2010 the Domestic Violence Fund, Sheriff's Revolving Fund, Inmate Security Fund, and the Law Enforcement Restitution Fund were not included.

**NOTE 2. CASH AND INVESTMENTS**

The county has determined through experience that business checking accounts, super NOW checking accounts, and money market accounts are appropriate types of accounts or instruments for its needs. The County invests each fund's cash balance in separate interest-bearing bank accounts to the extent possible at one depository bank. Each fund is included on the financial statements as

**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

"Cash" under each fund's caption. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreements, in U.S. Treasury and agency obligations. At December 31, 2011 and 2010, the County had no such investments.

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand accounts, including negotiable order of withdrawal accounts in banks. The County did not invest in any nonnegotiable certificates of deposit or other investment vehicles during the two years ended December 31, 2011.

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

At December 31, 2011 and 2010, the county's deposits held at the respective depository bank were adequately covered by Federal Depository Insurance Coverage and with additional collateral held by an independent bank in the county's name or by its agent in the county's name. The County's deposits were not subject to custodial or investment credit risk at year end.

In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted a written investment policy in accordance with applicable state law.

**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS**

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

**A. Missouri Local Government Employees Retirement System (LAGERS)**

1) Plan Description

Pike County participates in the Missouri Local Government Employees' Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute, section RSMo 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax-exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-477-4334.

**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)**

2) Pension Benefits

Upon termination of employment, any member who is vested is entitled to either an unreduced benefit annuity, payable at age sixty (police and fire fighters, age fifty-five), or a reduced benefit annuity, payable at age fifty-five (police and fire fighters, age fifty). Any member with less than five years of creditable service will be refunded accumulated plan contributions.

3) Funding Policy

The County's full-time employees are required to contribute 4% to the LAGERS pension plan. The County is required by state statute to contribute at an actuarially determined rate: the rate for 2011 was 9.3% (general) and 2.6% (police) and for 2010 the rate contributed was 8.3% (general) and 1.6% (police) of annual covered payroll. The County Commission determines the contribution requirements of plan members. The contribution provisions of the county are established by state statute.

4) Annual Pension Cost

For 2011 and 2010, total payments to LAGERS were \$169,893 and \$156,510, respectively.

**B. County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund (CERF) was established by the state of Missouri to provide pension benefits for county officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under sections 56.800 to 56.840, RSMo; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; county sheriffs covered under sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the Fund and the investment of the Fund are vested in a board of directors of eleven persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service or at the age of fifty-five with reduced benefits. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than

**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)**

eight years of creditable service forfeits all rights in the Fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

**3) Funding Policy**

In accordance with state statutes, the Fund is partially funded through various fees collected by counties and remitted to the CERF. A contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, and a contribution of 6% of annual salary is required of employees hired after February 2002 in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF \$111,670 and \$109,345, respectively, for the years then ended.

**NOTE 4. POST- EMPLOYMENT BENEFITS**

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

**NOTE 5. CLAIMS, COMMITMENTS, AND CONTINGENCIES**

**1) Compensated Absences**

Regular full-time employees who have completed the introductory period are eligible to receive vacation time as follows per each pay period: 0 to 4 years of service, 3 hours; 5 to 9 years of service, 4 hours; 10 to 14 years of service, 5 hours; 15 to 24 years of service, 6 hours; and after 25 years of service, 7 hours. Employees may accumulate and carry forward vacation leave up to 240 hours from 2010 to 2011 but thereafter the maximum carry over is 200 hours. Upon termination of employment, an employee will receive equivalent cash reimbursement for all unused accrued vacation leave. Regular full-time employees earn 4 hours of sick leave per pay period. Sick leave may accrue to a maximum of 960 hours. Upon termination of employment, an employee will receive equivalent cash reimbursement for all unused sick leave.

**2) Federal and State Assisted Programs**

The county has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

**PIKE COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 6. RISK MANAGEMENT**

The county is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The county is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

**NOTE 7. CHANGE IN BASIS OF ACCOUNTING**

Pike County, Missouri, has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted in accordance with state law. The accounting change had no effect on the beginning cash balances of the various county funds.

## **SUPPLEMENTARY INFORMATION**



**PIKE COUNTY, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2011	2010
	U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
14.228	Department of Economic Development- Community Development Block Grant	2008-EM-14	\$ 3,950	\$ -
14.231	Department of Social Services- Emergency Shelter Grants Program	ERO1642038	20,698	20,690
14.262	ARRA-Homeless Prevention and Rapid Re-Housing Program	ER16410035A	174,526	-
	U. S. DEPARTMENT OF JUSTICE			
	Passed through:			
16.540	State Department of Public Safety- Juvenile Justice and Delinquency Prevention- Allocation to states		26,961	21,920
16.606	Direct program - State Criminal Alien Assistance Program	2010-AP-BX-0515 2011-AP-BX-0615	- 2,688	1,664 -
16.607	Direct program - Bulletproof Vest Partnership Program	1121-0235	1,571	-
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
20.205	Highway and Transportation Commission - Highway Planning and Construction	BRO-082 (24) BRO-082 (25) BRO-082 (26)	- 258,677 16,806	227,318 106,364 -
	GENERAL SERVICES ADMINISTRATION			
	Passed thorough state:			
39.003	Office of Administration Donation of Federal Surplus Personal Property	N/A	3,732	2,802
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
93.563	Department of Social Services- Child Support Enforcement	N/A	15,959	10,230
93.569	Community Services Block Grant-Administration for Children and Families	HCP-43 AOC09380074	-	58,040
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state:			
97.036	Department of Public Safety- Disaster Grants - Public Assistance (Presidentially Declared Disasters)	163-99163-00	330,946	20,583
	Total Expenditures of Federal Awards		\$ 856,514	\$ 469,611

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**PIKE COUNTY, MISSOURI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. PURPOSE OF SCHEDULE AND REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pike County, Missouri.

**B. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for service rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts the non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value (23.3 percent of original acquisition cost) of the property at the time of receipt.

**C. BASIS OF ACCOUNTING**

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

**D. MATCHING REQUIREMENTS**

Certain Federal programs require that the county contribute non-federal funds (matching funds) to support the federally-funded programs. The county has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

**NOTE 2. SUBRECIPIENTS**

The county provided federal awards from the U.S. Department of Housing and Urban Development, Emergency Shelter Grants Program, CFDA No. 14.231, totaling \$41,388 and the ARRA - Homeless Prevention and Rapid Re-Housing Program, CFDA No. 14.262, totaling \$174,526 to the North East Community Action Corporation (NECAC). It also provided federal awards from the U.S. Department of Health and Human Services, CFDA No. 93.569, for \$58,040 to NECAC. The federal awards were used by the agency to assist in providing assistance to families and children.

## **COMPLIANCE SECTION**

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

January 22, 2013

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission  
and Officeholders  
of Pike County, Missouri

We have audited the financial statements of Pike County, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise Pike County's basic financial statements and have issued our report thereon dated January 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

Management of Pike County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pike County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pike County's control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pike County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 11-01 and 11-02.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency as item 11-03.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pike County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 11-04.

Pike County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Pike County, Missouri's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Commission, others within the entity, the Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Casey-Beard-Boehmer PC*

Casey-Beard-Boehmer PC  
Certified Public Accountants

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A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

January 22, 2013

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission  
and Officeholders of  
Pike County, Missouri

### Compliance

We have audited Pike County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pike County, Missouri's major federal programs for the years ended December 31, 2011 and 2010. Pike County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pike County, Missouri's management. Our responsibility is to express an opinion on Pike County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pike County, Missouri's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pike County, Missouri's compliance with those requirements.

As described in item 11-06 in the accompanying schedule of findings and questioned costs, Pike County, Missouri, did not comply with the requirement regarding reporting that is applicable to its ARRA – Homeless Prevention and Rapid Re-Housing Program. Compliance with such requirement is necessary, in our opinion, for Pike County, Missouri, to comply with the requirement applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Pike County, Missouri, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 (CONTINUED)**

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programs for the years ended December 31, 2011 and 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 11-05.

Internal Control Over Compliance

Management of Pike County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pike County, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pike County, Missouri's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses (Items 11-05 and 11-06).

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Pike County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Pike County, Missouri's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Commission, others within the entity, the Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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Certified Public Accountants



**PIKE COUNTY, MISSOURI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(INCLUDING MANAGER'S PLAN FOR CORRECTIVE ACTION)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified?   X   yes        none reported

Noncompliance material to financial statements noted?        yes   X   no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?   X   yes        no

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
14.262	ARRA - Homeless Prevention and Rapid Re-Housing Program
20.205	Highway Planning and Construction
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   X   no

**PIKE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGEMENTS' PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

This section includes the audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

**11-01 County Budget Documents Materially Misstated County's Financial Statements**

Condition: The County's budget documents for the year ended December 31, 2011 and 2010 materially misstated the various receipt classifications for the General Revenue Fund and 911 Fund. The budget documents had misclassified property taxes in Other Receipts instead of Property taxes; interest income as Intergovernmental Receipts instead of being shown separately; state reimbursements for the Recorder's Office as Charges For Services instead of as Intergovernmental Receipts; private car tax as Other Receipts instead of as Intergovernmental Receipts; and state reimbursements from the Federal Emergency Management Agency as Other Receipts instead of as Intergovernmental Receipts.

The Special Road and Bridge Fund, Hospital Fund, and other funds also had misclassifications of receipts recorded on the budget documents. Interest income was usually included within the total amounts of receipts of either sales taxes or charges for services instead of being shown separately. Reclassification adjustments were made during the audit to more fairly and materially state the receipts of the various funds. The county budget documents also did not show the receipt and disbursement of some grant funds that were received and paid out to a local not-for-profit agency. In 2010, \$78,730 was not shown in any fund and in 2011 \$199,174 was also not shown.

Criteria: Strong internal controls over financial information require that receipts be properly classified within the respective funds and an independent review performed of the budget documents to ensure that the classifications of receipts are proper.

Cause: The County had a lack of controls over the preparation of the budget documents and a lack of independent verification of amounts recorded on the budget documents.

Effect: The budget documents presented to the public and submitted to the State Auditor's Office contained material misstatements of financial amounts in various classifications of receipts within various county funds.

**Recommendation:**

The County Commission and respective officials take more care in preparation of the budget document each year to ensure that the classifications of receipts within the various funds are properly stated.

*Response: The County Commission responded as follows:*

*While the classification of receipts has long been considered the Treasurer's responsibility, the County Clerk's Office and Treasurer have worked out an agreement that the Treasurer will assign the classification for a receipt, transfer it for review by the County Clerk who will enter it into the accounting system. The two will confer anytime they do not agree. Before the 2013 Budget is approved, the two offices will concur on classifications and which receipts belong in each classification. The Auditors' recommendations in 11-01 will be part of the realignment.*

**PIKE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGEMENTS' PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**11-02      Treasurer's Annual Settlements Not Accurately Stated**

Condition: The Treasurer's annual settlements contain material differences in several county funds between the reconciled bank balance amounts and the amount recorded on the settlements at December 31, 2011 and 2010. Consequently, the Treasurer's settlements do not agree with the ending balances reported on the budget documents for several county funds.

Criteria: Strong internal controls and good business practices dictate that financial records should be accurately prepared and properly balanced to ensure that the financial statements prepared by the county are presented fairly.

Cause: The Treasurer did not properly reconcile the amounts reported on the annual settlements to the reconciled bank balances and to her other supporting ledgers maintained.

Effect: The annual settlements prepared and presented to the County Commission for review do not properly reflect the balances in the various county funds.

Recommendation:

The County Treasurer ensure that the annual settlements are properly prepared and presented for all county funds to agree with the reconciled cash balances and also to the county's budget documents.

*Response: The County Treasurer responded as follows:*

*I understand that the report shows differences in what actual bank balances are. This settlement is one tool used to balance County funds between my office and the County Clerk's office. We are and have been working on a better system of reporting actual figures to the County Commission. Both offices have new programs in place which I know will rectify this situation. All funds will balance with both the bank reconciliation and budget figures going forward.*

**SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

**11-03      Budgetary Procedures Not in Compliance With State Law**

Condition: We noted the following issues with the county's budgeting process during our audit:

- A. The County Commission, County Clerk, and other county officials did not exercise adequate budgetary control over five funds during the audit period. Expenditures were approved for payment that exceeded the approved budget for the following funds as shown below:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>
Law Enforcement Training	2011	5,905
	2010	2,401
Recorder	2011	17,479
	2010	1,810
Prosecuting Attorney Training	2010	683
5% Statute Cost Election	2010	2,429
Special Election	2010	36,245
Hospital	2010	25,308
Tax Maintenance	2010	23,446

**PIKE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGEMENTS' PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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This same condition was also noted in the prior independent audit report for the two years ended December 31, 2009.

- B. The County Commission and County Clerk did not prepare budget documents for the Domestic Violence Fund, Sheriff's Revolving Fund and Law Enforcement Restitution Fund for the years ended December 31, 2011 and 2010, and the Inmate Security Fund for the year ended December 31, 2011. This same condition was also noted in the prior independent audit report for the two years ended December 31, 2009.

In addition, the County Commission and County Clerk along with the County Collector and Prosecuting Attorney did not prepare a budget document for the 2012 year for the Tax Maintenance Fund controlled by the County Collector and the Prosecuting Attorney Bad Check Fund maintained by the Prosecuting Attorney.

- C. The County Commission budgeted a deficit cash balance for the Hospital Fund for the year ended December 31, 2011 at (\$34,976) and for the year ended December 31, 2010 at (\$35,000).
- D. The County Commission approved Emergency Fund expenditures totaling \$49,199 from the General Revenue Fund for the year ended December 31, 2011. However, the expenditures were not for unforeseen emergencies as required by state law. The expenditures consisted mainly of \$31,235 for a payment towards the purchase of an annex building along with \$12,186 for insurance expenses.

Criteria: Section 50.540 RSMo, requires that a budget be prepared for all county funds that receive monies from the General Fund in whole or in part, and that the budget be revised prior to authorizing expenditures in excess of the budget. Section 50.540 RSMo, also states the estimated ending fund balance cannot be a deficit balance. Section 50.540.4 RSMo, states that the expenditures shall be made only for unforeseen emergencies and only on unanimous vote of the county commission.

Cause: County officials did not consider the importance of preparing proper amended budgets and preparing budget documents in 2010 - 2012 for all applicable county operating funds.

Effect: The County Commission, County Clerk, and other county officials did not follow state law on the preparation of budget documents.

Recommendation:

- A. The County Commission should not approve expenditures in excess of budgeted amounts. The County Commission should properly amend the budgets in a public meeting when unforeseen circumstances arise that necessitate increased expenditures in any fund.
- B. The County Commission, County Clerk, and other county officials properly prepare annual budgets for all county funds in accordance with state law.
- C. The County Commission cease budgeting a deficit cash balance in any county funds.
- D. The County Commission not use the Emergency Fund except for unforeseen emergencies as required by state law.

*Response: The County Commission responded as follows:*

**PIKE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGERMENTS' PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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*The County Commission and County Clerk agree that more diligence is necessary within the budget, budget requests and payments approved processes. Beginning in 2013, no payments will be made from a fund when the expenditure exceeds the approved budget even if there are sufficient carryover funds to cover the expense. Efforts will be made to secure budgets for the Tax Maintenance, Bad Check, Sheriff's Revolving, Law Enforcement Restitution and Domestic Violence Funds. Any fund not providing a budget will be noted in the overall budget with a copy of the request for their budget. Since the clerk cannot force a budget from them and does not write checks for the Bad Check or Tax Maintenance Funds, we cannot control the expenditure process. In addition, budgets will be amended before any budget is exceeded in the future.*

**ITEM OF NONCOMPLIANCE AND OTHER MATTERS**

**11-04 All County Funds not Presented in Annual Published Financial Statements**

Condition: Not all applicable county funds were published in the newspaper as required by state law. For 2011, the Law Enforcement Restitution Fund was not shown and for 2010 the Domestic Violence Fund, Sheriff's Revolving Fund, Inmate Security Fund, and the Law Enforcement Restitution Fund were not included. This condition was also noted in the prior independent audit report for the two years ended December 31, 2009.

Criteria: Under Section 50.800 and 50.810, RSMo, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

Cause: The County Commission did not ensure that all financial information for all county funds was included in the annual published financial statements.

Effect: The County Commission did not follow state law on publishing the annual financial statements each year.

Recommendation:  
The County Commission ensure that all funds of the county are included in the annual published financial statements.

*Response: The County Clerk responded as follows:*

*Again, the County Clerk has responsibility for publishing the financial statement in the paper and shall do so with all that are made available on request. Again, we cannot publish any which we do not receive.*

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**11-05 Schedule of Expenditures of Federal Awards**

Federal Grantor:	U.S. Department of Housing and Urban Development, U.S. Department of Justice, General Services Administration, and U.S. Department of Health and Human Services
Pass-Through Grantor:	Various
Federal CFDA Number:	Various
Program Title:	Various

**PIKE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGEMENTS' PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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Pass-Through Entity

Identifying Number: N/A  
Award Year: 2010 and 2011  
Questioned Costs: N/A

Condition: The County does not have adequate procedures in place to report accurate grant information on the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained material errors and omissions of information required by the federal government. For the years ended December 31, 2011 and 2010, the county's SEFA was understated by \$128,927 and \$69,857, respectively, because pass-through programs were not properly included on the schedule while amounts presented for some programs were incorrectly presented. Pass-through federal grants totaling \$199,174 for 2011 and \$78,730 for 2010 were improperly stated or excluded from the SEFA.

Criteria: Section .310(b) of Circular A-133, Audit of States, Local Governments, and Non-profit Organizations, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

Cause: The County did not fully understand how to prepare the SEFA properly.

Effect: The County's SEFA was incorrectly prepared and materially misstated as prepared by the county. Several grants did not have a corresponding CFDA number and pass-through entity identifying numbers on the SEFA, and several program titles reported were not correctly stated.

Recommendation:

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The county should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards with the appropriate CFDA numbers and grant titles are properly reported on the SEFA.

*Response and Corrective Action Plan:*

*As this was our first federal audit, we were unaware of the many requirements in this area. The Clerk's Office will work with the Treasurer's Office to identify all federal funds received by the county, locate the CFDA code, the purpose of the funds and be accountable for all information needed on the SEFA including flow through funds.*

**11-06 ARRA Program not Included on Schedule of Expenditures of Federal Awards**

Federal Grantor: U.S. Department of Housing and Urban Development  
Pass-Through Grantor: Department of Social Services  
Federal CFDA Number: 14.262  
Program Title: ARRA – Homeless Prevention and Rapid Re-Housing Program  
Pass-Through Entity  
Identifying Number: ER16410035A  
Award Year: 2011  
Questioned Costs: N/A

**PIKE COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGEMENTS' PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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- Condition: The County did not properly include the ARRA federal grant on the SEFA schedule for proper reporting of the federal grant award. The County received the grant reimbursements from the state and then reimbursed the subrecipient for completion of the program requirements. Subrecipient reports are received and reviewed before reimbursement is made by the County Treasurer.
- Criteria: Section .310(b) of Circular A-133, Audit of States, Local Governments, and Non-profit Organizations, requires the county to prepare a SEFA for the period covered by the county's financial statements and to properly include and identify all ARRA monies.
- Cause: The County Clerk did not realize the program was handled through the County Treasurer's office as a pass-through and therefore, did not properly include the monies for reporting.
- Effect: The County did not properly report the ARRA program on its SEFA reported to the State Auditor's Office as part of its budget reporting package.
- Recommendation:  
The County ensure that all ARRA funds are properly reported on its SEFA and properly identified.

*Response and Corrective Action Plan:*

*The HSPA Program was changed dramatically four times in two years with huge accountability standards beyond the staffing ability of the Commission. The management, including tracking, requesting and dispensing these dollars were managed by NECAC. We will never do this again.*

**PIKE COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on the action taken by Pike County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

Budgetary Practices and Published Financial Statements

Budgets were not prepared for several county funds, expenditures exceeded budgeted amounts on various county funds, a deficit budget cash balance was presented for the 911 Fund for 2008, and the county's annual published financial statements did not include the financial activity for various county funds.

Status: Not implemented. See current findings 11-03 and 11-04.





**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# St. Joseph Contract License Office

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November 2012  
Report No. 2012-138



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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the St. Joseph Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Accounting Controls and Procedures	The St. Joseph contract license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits.
Federal Indictment	A federal grand jury indicted several individuals for a conspiracy involving more than \$5 million that utilized the St. Joseph contract license office to provide more than 3,500 fraudulent identity documents to illegal aliens across the United States. Once license office management became aware of the fraudulent activities, it contacted the Department of Revenue and federal, state, and local law enforcement agencies. In addition, license office personnel have since received fraudulent document training and have continued to forward any suspicious or questionable documentation to the Department of Revenue for further review. The illegal activity appears to have occurred due to a conspiracy rather than a lack of internal control policies and procedures within the license office.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The St. Joseph contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## St. Joseph Contract License Office

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor

and

Alana M. Barragán-Scott, Director

Department of Revenue

Jefferson City, Missouri

and

Saint. Joseph License, LLC, Contract Agent

St. Joseph Contract License Office

St. Joseph, Missouri

We have audited certain operations maintained and established by the St. Joseph Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.
3. Evaluate actions taken in response to a federal indictment alleging a conspiracy to provide fraudulent identity documents to illegal aliens.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls (2) no significant noncompliance with contractual and statutory provisions and (3) no need for further action by the office related to the federal indictment other than to continue working with law enforcement officials.

The accompanying Management Advisory Report presents our findings arising from our audit of the St. Joseph Contract License Office.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Corey McComas, M.Acct., CPA
	Aaron Allen

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# Department of Revenue

## St. Joseph Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **1. Accounting Controls and Procedures**

The St. Joseph license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the Department of Revenue (DOR) approximately \$7.9 million.

The license office did not always accurately record the method of payment (cash, check, and credit card) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012. A review of these deposits identified transactions marked as paid with cash and/or credit card when actually paid for by check, and checks recorded as cash and/or credit card payments. In addition, the method of payment was not always recorded on the Drivers Sale of Information Receipt issued for driving records.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

#### **Recommendation**

The St. Joseph Contract License Office ensure the correct method of payment is recorded in the accounting records, and the composition of monies received is reconciled to the accounting records and to deposits.

#### **Auditee's Response**

*With all respects, our office will continue to follow your recommendation.*

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#### **2. Federal Indictment**

A federal grand jury in the United States District Court for the Western District of Missouri indicted several individuals in January 2012 for participating in a conspiracy involving more than \$5 million that utilized the St. Joseph Contract License Office to provide more than 3,500 fraudulent identity documents to illegal aliens across the United States.

The indictment alleges that since November 2009, the defendants participated in a conspiracy to transport illegal aliens, unlawfully produce identification documents, unlawfully transfer another person's identification, and commit Social Security fraud. Conspirators allegedly provided illegal aliens with birth certificates and Social Security cards in the names of others and provided them with Missouri residential addresses. The indictment alleges that illegal aliens would travel to St Joseph from across the United States to obtain either a Missouri driver license or non-driver license by using the unlawfully obtained birth certificate and Social Security cards. Members of the conspiracy allegedly accompanied illegal aliens into the license office under the guise of being translators to assist them with obtaining a state license that was in the name of another person. The state licenses could then be used by the illegal aliens to unlawfully remain in the United States, to unlawfully obtain employment, and for other unlawful purposes.



Department of Revenue  
St. Joseph Contract License Office  
Management Advisory Report - State Auditor's Finding

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Once becoming aware of the fraudulent activities, license office management contacted the Department of Revenue (DOR) and federal, state, and local law enforcement agencies. In addition, license office personnel have since received fraudulent documentation training from local law enforcement officials, and have continued to forward any suspicious or questionable documentation to the DOR for further review.

## Recommendation

The St. Joseph Contract License Office continue to work with law enforcement officials as needed during their investigation.

## Auditee's Response

*The St. Joseph Contract License Office agrees to continue to work with the Department of Revenue and law enforcement officials with regards to ongoing investigations and to continue its cooperation to prevent any future reoccurrence.*

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# Department of Revenue

## St. Joseph Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In January 2009, the bid solicitation for the St. Joseph Contract License Office was issued. The office was awarded to Saint Joseph License, LLC,





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Department of Revenue  
St. Joseph Contract License Office  
Organization and Statistical Information

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effective July 30, 2009. At June 30, 2012, the contract and office managers were James Montee and Sandra Gutshall, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$7,944,133, and retained processing fees totaling \$447,246. Additionally, as part of the bidding process, the office agreed to return 10 percent of its processing fees to the state during the first contact year and 5 percent during the renewal periods. For the year ended June 30, 2012, the office returned processing fees, totaling \$22,550, to the state.

**American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)**

The St. Joseph Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Platte City Contract License Office



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November 2012  
Report No. 2012-137

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Platte City Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Accounting Controls and Procedures	The Platte City contract license office did not always accurately record the method of payment (cash and check) and did not reconcile the composition of monies received to deposits.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Platte City contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Platte City Contract License Office

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor

and

Alana M. Barragán-Scott, Director

Department of Revenue

Jefferson City, Missouri

and

Platte Civic Association, Contract Agent

Platte City Contract License Office

Platte City, Missouri

We have audited certain operations maintained and established by the Platte City Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls and (2) no significant noncompliance with contractual and statutory provisions.

The accompanying Management Advisory Report presents our finding arising from our audit of the Platte City Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Corey McComas, M.Acct., CPA
	Aaron Allen

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# Department of Revenue

## Platte City Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **Accounting Controls and Procedures**

The Platte City license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the Department of Revenue (DOR) approximately \$4.3 million.

The license office did not always accurately record the method of payment (cash and check) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for deposits made on March 13, March 14, and June 8, 2012. A review of these deposits identified transactions marked as paid with cash when actually paid for by check, and checks recorded as cash payments. In addition, the method of payment is not always recorded on the Drivers Sale of Information Receipt issued for driving records.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

#### **Recommendation**

The Platte City Contract License Office ensure the correct method of payment is recorded in the accounting records, and the composition of monies received is reconciled to the accounting records and to deposits.

#### **Auditee's Response**

*After reviewing the audit report, we agree with the finding and would like to discuss changes our office has implemented in addition to those suggested by your office.*

*We have spoken with our employees and have reminded them of the importance of carefully reviewing the payment screen for proper payment selection before the transaction is completed. If the transaction has been completed and the cashier notices a discrepancy, a payment receipt will be printed and signed by the customer and a notation made stating the correct payment type used. This will be kept with the customer's transaction in our audit copies. If this discrepancy is not noticed until after the customer has left, the manager will make the appropriate comment on the cashier report and accounting report. We have also reminded our clerks of the importance of always checking the appropriate payment type on the Drivers Sale of Information Receipt. Unfortunately, Failure to Appear in Court for a Traffic Violation and Drivers Sale of Information receipts are unable to be processed on the computer system, resulting in their being interpreted by the computer to be cash transactions.*

*All changes are effective immediately.*

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# Department of Revenue

## Platte City Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In February 2009, the bid solicitation for the Platte City Contract License Office was issued. The office was awarded to the Platte Civic Association,





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Department of Revenue  
Platte City Contract License Office  
Organization and Statistical Information

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effective December 17, 2009. At June 30, 2012, the contract and office managers were Merle Weisenborn and Christine Bradfield, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$4,334,211, and retained processing fees totaling \$253,566. Additionally, as part of the bidding process, the office agreed to return 2 percent of its processing fees to the state. For the year ended June 30, 2012, the office returned processing fees, totaling \$5,126, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Platte City Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



Thomas A. Schweich  
Missouri State Auditor

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## REVENUE

# Montgomery City Contract License Office



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November 2012  
Report No. 2012-136

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Montgomery City Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Prepayment Void Transactions	The Montgomery City contract license office did not document the reason for voiding two transactions that occurred in March 2012 and did not document the customer's acknowledgement, making it more difficult to ensure each transaction was voided for a valid reason.
Contract Compliance	The agent contract requires that any overages be deposited into the Department of Revenue's bank account, but the Montgomery City contract license office deposits overages into the contract agent's bank account instead.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Montgomery contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Montgomery City Contract License Office

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and

Alana M. Barragán-Scott, Director  
Department of Revenue  
Jefferson City, Missouri  
and

Montgomery County Farm Bureau, Contract Agent  
Montgomery City Contract License Office  
Montgomery City, Missouri

We have audited certain operations maintained and established by the Montgomery City Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls and (2) noncompliance with a contractual provision.

The accompanying Management Advisory Report presents our findings arising from our audit of the Montgomery City Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Rachelle Thompson

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# Department of Revenue

## Montgomery City Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **1. Prepayment Void Transactions**

The Montgomery City license office needs to improve controls over prepayment void transactions.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System but is voided before payment is made. Valid reasons for prepayment void transactions include entries that contain an incorrectly spelled name, a transfer on death erroneously left off the title, or an incorrect address or date of purchase; and when customers lack sufficient funds to pay the transaction.

The license office did not document the reason for voiding two transactions that occurred in March 2012, and did not obtain customer acknowledgement documentation for one of these transactions. Department of Revenue (DOR) official procedures require customer acknowledgement of the void if a new transaction is not completed or if the new transactions shows a lesser amount due along with the reason for the void.

Obtaining customer acknowledgment and documenting the reason for voiding a transaction help ensure the transaction actually was voided and was for a valid reason.

#### **Recommendation**

The Montgomery City Contract License Office ensure all prepayment void transactions are supported by customer acknowledgment of and the reason for the void transaction.

#### **Auditee's Response**

*We concur with the finding. We have already taken steps to ensure all prepayment void transactions are supported by customer acknowledgment of the void transaction, along with the reason for the void.*

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#### **2. Contract Compliance**

The Montgomery City license office does not deposit overages of revenue collected in the DOR bank account, as required by its agent contract with the DOR.

The office policy, when the daily revenue accounting reports indicate total collections are less than the actual monies collected (overage), is to place the excess monies in a bank bag in the office with miscellaneous fee collections. These monies are deposited into the contract agent's bank account.

The agent contract provides that if the daily balance reflects a shortage, the agent should pay the difference prior to the deposit. However, if the daily balance reflects an overage, the amount of the overage should be deposited in the DOR bank account.



Department of Revenue  
Montgomery City Contract License Office  
Management Advisory Report - State Auditor's Finding

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**Recommendation**

The Montgomery City Contract License Office comply with contractual provisions requiring any overages of daily funds to be deposited in the DOR bank account.

**Auditee's Response**

*We concur with the finding. Our office will comply with the contract compliance recommendation in depositing any overages of daily funds in the Department of Revenue account.*



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# Department of Revenue

## Montgomery City Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In May 2009, the bid solicitation for the Montgomery City Contract License Office was issued. The office was awarded to the Montgomery County Farm Bureau, effective October 22, 2009. At June 30, 2012, the contract and



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Department of Revenue  
Montgomery City Contract License Office  
Organization and Statistical Information

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office managers were William Waddell and Kristie Eldringhoff, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$1,147,563, and retained processing fees totaling \$63,512. Under the terms of the contract, the office was not required to return a percentage of its processing fees to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Montgomery City Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Chesterfield Contract License Office



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November 2012  
Report No. 2012-135

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Chesterfield Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Accounting Controls and Procedures	The Chesterfield contract license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits.
Contract Compliance	The Chesterfield contract license office does not always accurately update inventory on a daily basis, as required by its agent contract with the Department of Revenue, and, during a previous office semi-annual inventory, four items could not be located.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Chesterfield contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Chesterfield Contract License Office

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
and

Alana M. Barragán-Scott, Director  
Department of Revenue  
Jefferson City, Missouri  
and

Ryker Enterprises, Inc., Contract Agent  
Chesterfield Contract License Office  
Chesterfield, Missouri

We have audited certain operations maintained and established by the Chesterfield Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls and (2) noncompliance with a contractual provision.

The accompanying Management Advisory Report presents our findings arising from our audit of the Chesterfield Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Corey McComas, M.Acct., CPA
	Aaron Allen

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# Department of Revenue

## Chesterfield Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **1. Accounting Controls and Procedures**

The Chesterfield license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the Department of Revenue (DOR) approximately \$8.3 million.

The license office did not always accurately record the method of payment (cash, check, and credit card) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012 and the May 14 and May 15, 2012 deposits. A review of these deposits identified transactions marked as paid with cash when actually paid for by check and/or credit card, and credit card payments recorded as cash and/or check. In addition, the method of payment is not always recorded on the Drivers Sale of Information Receipt issued for driving records.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

#### **Recommendation**

The Chesterfield Contract License Office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits.

#### **Auditee's Response**

*The contract manager agrees with the recommendation of the auditors. Implementation will be effective immediately.*

*The contract manager and office manager will be sure to reiterate the importance of strictly endorsing checks and to be sure to accurately record the method of payment. Often times the customer will change their mind as to what type of payment they would like to use.*

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#### **2. Contract Compliance**

The Chesterfield license office does not always accurately update inventory records on a daily basis, as required by its agent contract with the DOR. According to office management, the office tries to maintain a 30-day stock of inventory items such as license plates, tabs, decals, and permits.

We reviewed selected inventory records for the year ended June 30, 2012. The license office had not properly updated the inventory records for 3 of 25 items reviewed that were shown as sold in the Titling and Registration Intranet Processing System and/or transferred to another license office. Also, during the previous office semi-annual inventory, four items could not be located. As a result, the DOR required the office to reimburse the DOR \$127 for the missing items.





Department of Revenue  
Chesterfield Contract License Office  
Management Advisory Report - State Auditor's Finding

The license office increases the risk of undetected theft and/or impropriety when inventory records are not updated accurately and on a timely basis. In addition, the agent contract requires the license office to maintain up-to-date perpetual inventory records.

## Recommendation

The Chesterfield Contract License Office maintain accurate perpetual inventory records, as required by the agent contract.

## Auditee's Response

*The contract manager agrees with the recommendation of the auditors. Implementation will be effective immediately.*

*Regarding the previous office semi-annual inventory, a tab was located and credited to the office.*

*To continue improving inventory control, the agent will have clerks utilize form 1246 as a "plate sheet" that they will record each transaction as they occur. It includes customer name, shipment number, clerk name, date, items sold, amount of transaction and form of payment. Rarely used inventory is to be held by the manager and must be signed out and recorded on plate sheet as well. The manager is to check the inventory sold in the Titling and Registration Intranet Processing System three times per day to check for a skip in sequential order, to be reviewed at 11:00 a.m., 3:00 p.m. and close of business. The manager will review surveillance to assist in locating a missing item. Clerks will be instructed to notify the manager if a customer requests that an item be taken out of order. All inventory will be logged at open and close of business to determine if an item not commonly sold was skipped. Clerks are to immediately mark an item as sold if processed in miscellaneous accounting.*

*We will post inventory daily, fax all inventory corrections daily, submit form 984 daily to the DOR auditor, verify inventory as it arrives, work monthly inventory reports immediately upon receipt, and keep inventory file with copies of everything sent to the DOR auditor.*

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# Department of Revenue

## Chesterfield Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year
	\$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less
	\$5.00 exceeding three years
Notice of lien	\$2.50

In March 2009, the bid solicitation for the Chesterfield Contract License Office was issued. The office was awarded to Ryker Enterprises, Inc.,



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Department of Revenue  
Chesterfield Contract License Office  
Organization and Statistical Information

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effective December 24, 2009. At June 30, 2012, the contract and office managers were Danah Lewis and Karen Ryan, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$8,254,624, and retained processing fees totaling \$320,570. Additionally, as part of the bidding process, the office agreed to return 3 percent of its processing fees to the state. For the year ended June 30, 2012, the office returned processing fees, totaling \$9,705, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Chesterfield Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Cape Girardeau Contract License Office



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November 2012  
Report No. 2012-134

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Cape Girardeau Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Prepayment Void Transactions	Department of Revenue official procedures require void transactions be reviewed and approved by a supervisor and/or manager, but the Cape Girardeau contract license office manager did not document approval for 7 of 14 (50 percent) void transactions that occurred from March 13 to March 19, 2012. A supervisory review of voided transactions helps ensure transactions were voided for a valid reason.
Statutory Compliance	The Cape Girardeau contract license office does not always ask customers if they want to donate to the Blindness Education, Screening, and Treatment Program Fund or the Organ Donor Program Fund, and it does not always inform customers about the ability to be included in the organ donor registry and to consent to organ donation.
Accounting Controls and Procedures	The Cape Girardeau contract license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Cape Girardeau contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Cape Girardeau Contract License Office

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
and

Alana M. Barragán-Scott, Director  
Department of Revenue  
Jefferson City, Missouri  
and

Southeast Missouri University Foundation, Contract Agent  
Cape Girardeau Contract License Office  
Cape Girardeau, Missouri

We have audited certain operations maintained and established by the Cape Girardeau Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with a statutory provision.

The accompanying Management Advisory Report presents our findings arising from our audit of the Cape Girardeau Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Rachelle Thompson



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# Department of Revenue

## Cape Girardeau Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **1. Prepayment Void Transactions**

The Cape Girardeau license office needs to improve controls over prepayment void transactions.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided before payment is made. Valid reasons for prepayment void transactions include entries that contain an incorrectly spelled name, a transfer on death erroneously left off the title, or an incorrect address or date of purchase; and when customers lack sufficient funds to pay the transaction.

The office manager did not document approval for 7 of 14 (50 percent) void transactions that occurred from March 13 to March 19, 2012. Department of Revenue (DOR) official procedures require void transactions be reviewed and approved by a supervisor and/or manager.

A supervisory review of voided transactions helps ensure transactions actually were voided for a valid reason.

#### **Recommendation**

The Cape Girardeau Contract License Office ensure all prepayment void transactions are reviewed and approved by office management.

#### **Auditee's Response**

*The office manager did document findings for every prepayment void on each cashiers report but did not place her initials on seven (7) transactions during the period audited. The office manager or office supervisor, in the office manager's absence, will document and initial each prepayment void. We will re-examine the prepayment void file weekly to verify compliance. The state field representative has found our office compliant during his monthly visits since the audit.*

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#### **2. Statutory Compliance**

The Cape Girardeau license office does not always inquire if customers want to donate to the Blindness Education, Screening, and Treatment Program Fund (BESTPF) and the Organ Donor Program Fund (ODPF), or inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

During our audit work in the office, we noted office staff frequently did not ask customers if they wanted to donate to these funds, or inform customers about organ donations. A Yes or No to the donation questions must be recorded in TRIPS to complete transactions. As a result, staff appear to be automatically entering a No to those questions.

Sections 301.020 and 302.171, RSMo, require personnel to inquire whether customers registering a motor vehicle and applying for a driver's license are interested in making a \$1 donation to the BESTPF and to the ODPF. In addition, Section 302.171, RSMo, requires personnel to inform customers applying for a driver's license of the ability to be included in the organ



Department of Revenue  
Cape Girardeau Contract License Office  
Management Advisory Report - State Auditor's Finding

donor registry and to consent to organ donation by completing the form on the back of the driver's license.

## Recommendation

The Cape Girardeau Contract License Office ensure staff inquire of each customer whether the customer is interested in making a \$1 donation to the BESTPF and to the ODPF, and inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

## Auditee's Response

*The office staff has been made aware that they must ask the donation questions for the Blindness Awareness and Organ Donor Program Funds. The office has seen the donation totals increase since the months following the audit. Clerks do inform customers of the ability to be included in the organ donor registry as required by state law. The Cape License Office had an enrollment average of 44%, compared to the state license offices average of 38% per the Organ Donor Program Website.*

## 3. Accounting Controls and Procedures

The Cape Girardeau license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the DOR approximately \$4.3 million.

The license office did not always accurately record the method of payment (cash, check, and credit card) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012, and the May 15 and May 16, 2012, deposits. A review of these deposits identified transactions marked as paid with cash when actually paid for by credit card, credit card payments recorded as cash and/or checks, and checks recorded as cash and/or credit card payments.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

## Recommendation

The Cape Girardeau Contract License Office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits.

## Auditee's Response

*The computer program used by the state requires a clerk to select the method of payment from a drop down box. A clerk may select the wrong method of payment in error, causing an "X" to appear when closing her drawer at the end of day. The clerks have always marked the method(s) of payment on our copy of the transactions. We have now started to notate on our paperwork if we realize that a wrong method of payment has been*



Department of Revenue  
Cape Girardeau Contract License Office  
Management Advisory Report - State Auditor's Finding

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*entered into the computer system in order to reconcile our cashier reports and monies per the auditor's request.*

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# Department of Revenue

## Cape Girardeau Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In February 2009, the bid solicitation for the Cape Girardeau Contract License Office was issued. The office was awarded to the Southeast Missouri University Foundation, effective June 26, 2009. At June 30, 2012,



Department of Revenue  
Cape Girardeau Contract License Office  
Organization and Statistical Information

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the contract and office managers were William Holland and Sarabeth Moore, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$4,324,532, and retained processing fees totaling \$239,558. Additionally, as part of the bidding process, the office agreed to return 2 percent of its processing fees to the state. For the year ended June 30, 2012, the office returned processing fees, totaling \$4,818, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Cape Girardeau Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



Thomas A. Schweich  
Missouri State Auditor

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# Lake Lotawana Community Improvement District



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October 2012  
Report No. 2012-133

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Lake Lotawana Community Improvement District

Background	The Lake Lotawana Community Improvement District (CID), located in Jackson County, was formally established in 2005 for the purpose of constructing sanitary sewer facilities and providing, maintaining, and operating streets, sidewalks, surface water control and open space within the district. The district issued bond anticipation bonds (BAB) of \$7 million in 2006 and \$1.85 million in 2007. As of August 2010, approximately 25 homes had been built on 352 lots, and the Lone Summit Bank and Gibson General Store were the only commercial developments. Land within the district owned by Lightfoot Development, LLC, was foreclosed on in December 2010.
Financial Condition	The district is in poor financial condition and filed for Chapter 9 bankruptcy in August 2010. The district received \$8.85 million from two BAB issues, which it used, in part, to pay for the construction of the wastewater treatment plant, pay interest to bond holders, repay a "bridge" loan, and repay a loan obtained from Lightfoot Development, LLC. The district was unable to obtain financing for refunding revenue bonds when the BABs came due, and the approved bankruptcy court plan extended the maturity date of the bonds to July 1, 2016. Adequate special assessments were not collected to make interest payments on the BABs, and the district made loans of \$100,000 to Lone Summit Development Group and \$60,000 to Lightfoot Development, LLC, which have not been repaid.
Minutes and Meetings	The district does not maintain minutes for closed meetings, as required by state law, and open minutes do not always document the specific section of law which allows for the closed meeting, the specific reason for closing the meeting, and the roll call vote for holding a closed meeting. In addition, the Board went nearly 7 months without meeting between September 19, 2011, and April 12, 2012.
Budgets and Financial Reporting	The district's annual budgets do not contain all elements required by state law, and the district has not submitted annual financial reports to the State Auditor's office. Moreover, the district submitted inaccurate reports to the City of Lake Lotawana and the Missouri Department of Economic Development, which overstated revenues and failed to reflect a loan made by the district.
Conflicts of Interest	Former District Board members Klonda Holt and Pat Holt, representing Lightfoot Development, LLC, voted to approve a \$60,000 loan to Lightfoot in January 2010, creating at least the appearance of a conflict of interest. Moreover, these two directors continued to serve on the Board after Lightfoot no longer owned property and they no longer met the requirements to serve on the Board. The district claimed to be leasing the use of office space from Lightfoot, but the payments were made to former Board President Klonda Holt personally instead of to the company, and the district continued to pay Ms. Holt after Lightfoot no longer owned the office space. Ms. Holt was paid \$1,650 in 2011 and \$1,800 in 2010. The district

paid another former Board Director, Larry Lightfoot, \$952 for snow removal but did not obtain bids for these services. These payments were contrary to state law, which places restrictions on when directors can receive additional consideration from the governing body.

In the areas audited, the overall performance of this entity was **Poor**.\*

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American Recovery and  
Reinvestment Act  
(Federal Stimulus)

The Lake Lotawana Community Improvement District did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**



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# Lake Lotawana Community Improvement District

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Board of Directors  
Lake Lotawana Community Improvement District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Lake Lotawana Community Improvement District. We have audited certain operations of the district in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Lake Lotawana Community Improvement District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Lori Bryant

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# Lake Lotawana Community Improvement District

## Management Advisory Report

### State Auditor's Findings

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#### **1. Financial Condition**

The Lake Lotawana Community Improvement District is in poor financial condition and filed for Chapter 9 bankruptcy in August 2010. The district has not been able to meet required covenants related to bond anticipation bonds (BAB) totaling \$8.85 million issued to pay for the construction of the wastewater treatment plant. In addition, while significant special assessments were calculated, only small amounts were actually billed, and loans totaling \$160,000 were made to the development companies. One loan was made just 2 months before the district defaulted on the BABs. The district continues to operate and maintain the wastewater treatment plant. From its creation in September 2005 through December 2011, the district received approximately \$10,177,000 and spent approximately \$10,149,000. The cash balance of all district accounts at December 31, 2011, was approximately \$23,000, with the bond trustee holding an additional \$5,000.

#### Bond issues

The district received \$8.85 million from two BAB issues. The first issue in 2006 totaled \$7 million and the second issue in 2007 totaled \$1.85 million. These bonds matured on July 1, 2011, at which time the entire \$8.85 million principal amount plus all accrued interest became due. The district intended to issue refunding revenue bonds to pay off the BABs, and these bonds were expected to have a maturity of 20 years. However, the district was unable to obtain financing for the refunding revenue bonds. The approved bankruptcy court plan extended the maturity date of the bonds by 5 years to July 1, 2016, and significantly lowered the interest rate paid to bondholders. Some of the bond proceeds were used as follows:

- Approximately \$4.7 million paid for the construction of the wastewater treatment plant and necessary gathering and transmission lines for the plant.
- Interest of approximately \$2.7 million paid to bond holders. BAB proceeds of almost \$2 million were deposited in capitalized interest accounts held by the bond trustee, and these monies were used to make the interest payments until these monies ran out in March 2010. The bond trustee then used monies from the debt service reserve accounts to make required payments. The district defaulted on the BABs when it was unable to replenish the debt service reserve accounts held by the bond trustee.
- Repayment of a \$600,000 "bridge" loan obtained in May 2006.
- Repayment of a \$125,000 loan obtained in February 2007 from Lightfoot Development, LLC.

The remaining funds were used as shown on Appendix B.



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Lake Lotawana Community Improvement District  
Management Advisory Report - State Auditor's Findings

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Special assessments

Special assessments collected were not adequate to make interest payments on the BABs in 2010 after the capitalized interest accounts were depleted. Special assessments collected were substantially less than calculated assessments.

- Bond proceeds were used to establish the capitalized interest accounts and these accounts were set up to make future interest payments. The special assessments on the lands owned by the development companies were the majority of the special assessments calculated; however, only small amounts were provided to the Jackson County Collector to be billed to the development companies along with property taxes. For example, the total special assessment calculated for 2009, 2008, and 2007 was \$2,047,836 for the development companies, but the amounts actually billed only totaled \$25,216. Monies in the capitalized interest accounts were used as credits against special assessments of the development companies. In addition, the total special assessment calculated for the convenience store/restaurant located in the district was \$15,627 and the special assessment actually billed was \$2,502, and monies in the capitalized interest accounts were used as credits against special assessments of the convenience store/restaurant. For 2010, the special assessments calculated and billed for all property owners totaled \$741,885; however, only approximately \$23,000 was collected on these assessments as the development companies did not pay their assessments. Subsequently, during the bankruptcy proceedings, the special assessments calculated were revised down to approximately \$194,000, and a similar amount of assessments were calculated and billed for 2011. Special assessments collected were deposited into the Special Assessment and Sales Tax Fund. The interest on the bonds was paid from the capitalized interest accounts. It appears this arrangement was primarily to the benefit of the developers rather than the community improvement district (CID).
- Agricultural lots were determined not to have benefited from the construction of the sanitary sewerage system, and no special assessments were levied on agricultural lots.
- Development within the district has been much slower than projected. As of the bankruptcy filing, approximately 25 houses had been built on the 352 lots in the residential development, and the only commercial developments are a bank and convenience store/restaurant. Therefore, there were significantly fewer homes built than anticipated and no additional commercial development occurred on which special assessments would be assessed for collection.

Loans to development  
companies

The district made loans of \$100,000 to Lone Summit Development Group in June 2007 and \$60,000 to Lightfoot Development, LLC, in January 2010,



## Lake Lotawana Community Improvement District Management Advisory Report - State Auditor's Findings

which have not been repaid as of June 29, 2012. The resolutions passed by the district in June 2007 and January 2010 approving these loans indicated the monies were to be used to pay expenses incurred to obtain water facilities and service to their properties within the district and the loans would be repaid through special assessments and with sales tax revenues generated within the district. The loans do not indicate when repayments are due. Section 67.1461.13, RSMo, does allow for the district to loan monies; however, the lack of a timely repayment requirement does not seem reasonable. Lightfoot Development, LLC, has since filed for bankruptcy and its property was foreclosed on by a bank in December 2010. In addition, the district defaulted on the BABs in March 2010, just 2 months after making the \$60,000 loan.

### Overall conclusion

The failure to collect sufficient special assessments, along with loaning monies for which there has been no repayment, has contributed to the district not having sufficient monies to make required bond payments and defaulting on the bonds, and filing for bankruptcy.

### Recommendation

The Board of Directors continue to work with the bankruptcy court and develop a long range plan to pay off its bonds and fund future operations and maintenance costs of the wastewater treatment plant. In addition, the Board of Directors should consult with legal counsel regarding the legality of the loans and credits granted.

### Auditee's Response

*The Board of Directors provided the following written response:*

*The Auditor's recommendations are accepted without reservation.*

## 2. Minutes and Meetings

Minutes for closed meetings are not maintained as required. In addition, the minutes for open meetings do not document the specific section of law that allows for the closed meeting and do not always document the specific reason for closing the meeting, and the roll call vote for holding a closed meeting was not always taken and/or recorded in the open minutes. In addition, no Board meetings were held between September 19, 2011, and April 12, 2012.

Section 610.020.7, RSMo, requires minutes be kept for all closed meetings and Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting, including reference to a specific section of the law, shall be voted on during an open meeting. These reasons and the corresponding votes to close the meeting should be documented in the open minutes to demonstrate compliance with statutory provisions. District bylaws require board meetings be held no less often than quarterly.



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Lake Lotawana Community Improvement District  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The Board of Directors ensure minutes are prepared and retained for all closed meetings, roll call votes to close meetings are taken during open meetings, and the specific statute and subsection allowing closure is noted in the open meeting minutes. In addition, meetings should be held as required.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The Auditor's recommendation is accepted without reservation.*

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## 3. Budgets and Financial Reporting

The district does not properly prepare budgets, or prepare and submit accurate required financial reports.

### 3.1 Budgets

Annual budgets do not contain all elements required by state law. District budgets did not include the beginning and projected ending fund balances. By not including the fund balance, there is no assurance the budget was balanced. In addition, the budgets lacked required information including a budget message, budget summary, actual receipts and disbursements from the 2 preceding years, and district indebtedness information.

Section 67.010, RSMo, requires each political subdivision to prepare an annual budget that presents a complete financial plan for the ensuing budget year and outlines the various information to be included in the budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of district operations. It also assists in informing the public about district operations and current finances.

### 3.2 Financial reporting

The district has not submitted annual financial reports to the State Auditor's office. In addition, reports submitted to the City of Lake Lotawana and the Missouri Department of Economic Development (DED) were not accurate. The district included approximately \$176,000 in "operating income reserve" as income on its 2010 year-end financial reports which overstates revenues collected for the year, and a \$60,000 loan made by the district was not reported.

Section 105.145, RSMo, requires each political subdivision to file an annual report of its financial transactions with the State Auditor's office. In addition, Section 67.1471.4, RSMo, indicates the district shall submit a report to the city and the DED stating the services provided, revenues collected, and expenditures made by the district during such fiscal year.



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Lake Lotawana Community Improvement District  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The Board of Directors:

- 3.1 Ensure district budgets include all elements required by law.
- 3.2 Submit accurate and timely financial reports to the city and state agencies as required by law.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 3.1 *The Board has already asked its Certified Public Accountant to assist in preparing the budget to include all elements required by law. He has responded that the task will be priority with his office and the Board expects full compliance with the timing required by law for the necessary reports.*
- 3.2 *The Auditor's recommendation is accepted without reservation.*

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## 4. Conflicts of Interest

Two directors voted to approve a loan to the development company they represented and remained on the Board after no longer meeting the Board requirements. In addition, two directors were paid for additional services provided to the district.

### 4.1 Board of Directors

Klonda Holt and Pat Holt, two former district Directors representing Lightfoot Development, LLC, voted to approve a \$60,000 loan to Lightfoot Development, LLC, in January 2010. In addition, after the property owned by the development company was foreclosed on in December 2010, these two Directors remained on the district's Board until September 15, 2011, even though they no longer met the requirements to serve on the Board since the land was no longer owned by their development company.

Personal interests in business matters of the district create actual or the appearance of conflicts of interest. In addition, Section 67.1451.2, RSMo, and district bylaws require directors to be either an owner or legally authorized representative of real property in the district or of a business operating within the district, or a registered voter within the district.

### 4.2 Additional services provided

Former Board President Klonda Holt requested compensation for work she performed for the district including depositing monthly sewer fees and various administrative services. The Board determined it was not appropriate to pay a director a salary; however, decided it would be appropriate to pay \$150 per month to lease the non-exclusive use of office furniture and office equipment. The lease was between Lightfoot Development, LLC, and the district, and the Board President signed the lease agreement as managing member of the development company. However, the invoices submitted for the monthly \$150 payment described various services performed with no mention of the lease and the checks





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Lake Lotawana Community Improvement District  
Management Advisory Report - State Auditor's Findings

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were made payable to Klonda Holt personally rather than to the development company. In addition, the payments continued after the office space being leased was foreclosed on by the bank in December 2010. Klonda Holt was paid \$1,650 in 2011 and \$1,800 in 2010. Another former Board Director, Larry Lightfoot, was paid \$952 in January 2010 for snow removal without any bids being obtained.

Section 105.458, RSMo, prohibits a member of a governing body from performing any service for that political subdivision for any consideration other than the compensation provided for the performance of his or her official duties which involve more than \$500 per transaction or \$5,000 per year unless the transaction is made pursuant to an award on a contract let after public notice and competitive bidding, provided that the bid or offer accepted is the lowest received.

## Recommendations

The Board of Directors:

- 4.1 Ensure directors abstain from voting on related party transactions. The Board should require directors meet the requirements for being a director and, if circumstances change, request their resignation from the Board.
- 4.2 Comply with state law relating to the compensation of district officials.

## Auditee's Response

*The Board of Directors provided the following written response:*

- 4.1 *No Director has ever voted on a related party transaction. The minutes were prepared in error.*
- 4.2 *The Auditor's recommendation is accepted without reservation.*

*Kent Reese, a member of the Board of Directors, provided the following separate written response:*

- 4.1 *I disagree wholeheartedly that just in these instances the minutes of meeting are incorrect, and that the following review and vote to validate the previous minutes of meeting are incorrect. I do not think the CID board has the luxury or flexibility to claim certain minutes of meeting are incorrect and the rest or infallible without further investigation and due process. An example is that often, when I have attended the board meetings, my very detailed notes show matters that were discussed or conclusions that are not entered into the minutes of meeting or do not reflect what was concluded.*



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Lake Lotawana Community Improvement District  
Management Advisory Report - State Auditor's Findings

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*And whether or not they voted for themselves in the matter of loans I think is immaterial. I believe it's a clear conflict of interest given their joint business ventures that they had the flexibility to vote and lend each other money out of the CID funds - at which lending was never time bound, carried interest, nor ever repaid according to all records researched. In fact, the minutes of meeting stated that they would be repaid when the person "sold property". I don't think the conflict of interest issue is only that they may have voted for loans for themselves, but that they actually gave each other loans given their apparent tight relationships with each other.*

**Auditor's Comment**

- 4.1 The Board of Trustees attested to the accuracy of the January 2010 meeting minutes by reviewing and approving them at a subsequent meeting.

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# Lake Lotawana Community Improvement District

## Organization and Statistical Information

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The Lake Lotawana Community Improvement District is located in Jackson County. The purpose of the district is to construct sanitary sewer facilities and to provide, maintain, and operate streets, sidewalks, surface water control, and open space within the district. The district was established under the Community Improvement District Act, Sections 67.1401 through 67.1571, RSMo. In 2005, 100 percent of the real property owners submitted a petition to the City of Lake Lotawana to establish a Community Improvement District. The property owners were the Gibson Family Limited Partnership; Lightfoot Development, LLC; Lone Summit Development Group; and Lone Summit Bank. City of Lake Lotawana Ordinance No. 765, adopted September 28, 2005, formally established the district. The district issued bond anticipation bonds of \$7 million in 2006 and bond anticipation bonds of \$1.85 million in 2007. As of August 2010, approximately 25 homes had been built on 352 lots in the residential development and the only commercial developments were the Lone Summit Bank and the Gibson General Store. The land owned by Lightfoot Development, LLC, was foreclosed on in December 2010.

### Board of Directors

The district government consists of a five-member board of directors. The board members serve 4-year terms without compensation. The petition submitted to the city requesting the district be established included a request for specific people to be appointed to the initial board of directors, all of which were owners of the real property in the district. Section 67.1451.2, RSMo, and district bylaws require directors to be at least 18 years old and either an owner of real property in the district or of a business operating within the district, or a registered voter within the district. The original board members were :

Klonda Holt, President	property owner
Dennis Tenney, Vice President	property owner
Charles Gibson, Secretary	property owner
Judy Gibson, Treasurer	property owner
Joe Holt	property owner
Larry Lightfoot	property owner

The Board approved Resolution No. 2011-01 in January 2011, to reduce the number of directors from six to five. Members of the Board (one vacancy) at December 31, 2011, were:

Dennis Tenney, President	property owner
Charles Gibson, Secretary	property owner
Judy Gibson, Treasurer	property owner
Kent Reese	resident



Lake Lotawan Community Improvement District  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Lake Lotawana Community Improvement District did not receive any federal stimulus monies during the year ended December 31, 2011.

Financial Activity

A summary of the district's financial activity follows:

## Appendix A

### Lake Lotawana Community Improvement District Statement of Receipts, Disbursements, and Changes in Cash - District Accounts Year Ended December 31, 2011

	Operations Fund	Special Assessment and Sales Tax Fund	Money Market Fund	Sewer Operations Fund	Sewer Tap Fees Fund	Total
<b>RECEIPTS</b>						
Sales and use tax	\$ 0	23,164	0	0	0	23,164
Special assessments	0	15,636	0	0	0	15,636
Sewer connection fees	0	0	0	24,870	0	24,870
Interest	26	355	484	433	0	1,298
Transfers in	90,000	66,375	0	0	0	156,375
Total Receipts	90,026	105,530	484	25,303	0	221,343
<b>DISBURSEMENTS</b>						
Legal fees	69,962	0	0	0	0	69,962
Operation and maintenance	45,779	55	0	4,271	(7)	50,098
Guarantee bond expense	7,774	0	0	0	0	7,774
Accounting fees	1,931	0	0	0	0	1,931
Debt service - interest	0	193,993	0	14,000	0	207,993
Transfers out	0	6,000	90,000	60,375	0	156,375
Total Disbursements	125,446	200,048	90,000	78,646	(7)	494,133
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(35,420)	(94,518)	(89,516)	(53,343)	7	(272,790)
CASH, JANUARY 1, 2011	41,362	98,783	100,097	55,507	(7)	295,742
CASH, DECEMBER 31, 2011	\$ 5,942	4,265	10,581	2,164	0	22,952

## Appendix B

### Lake Lotawana Community Improvement District Combined Summary of Financial Activity of District and Bond Trustee Accounts From September 28, 2005 to December 31, 2011

#### RECEIPTS

Bond proceeds	\$ 8,850,000
Bridge loan	600,000
Interest	284,940
Loan from developer	125,000
Sales and use tax	105,600
Sewer connection fees	79,933
Sewer tap fees	73,000
Special assessments	58,537

Total Receipts	<u>10,177,010</u>
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#### DISBURSEMENTS

Construction	4,717,218
Debt service - interest	3,030,595
Legal fees	666,031
Repayment of Bridge loan - principal and interest	606,125
Operation and maintenance	443,948
Trustee fees	269,518
Loans to developers	160,000
Repayment of Loan from developer - principal and interest	126,232
Bond origination fees	88,500
Guarantee bond expense	30,990
Accounting fees	9,512

Total Disbursements	<u>10,148,669</u>
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#### RECEIPTS OVER (UNDER)

DISBURSEMENTS	28,341
CASH, SEPTEMBER 28, 2005	0
CASH, DECEMBER 31, 2011	<u>\$ 28,341</u>

Note: Includes activity in the accounts held by the bond trustee for the district. The December 31, 2011, cash balance includes monies held by the district of \$22,952 and the bond trustee of \$5,389.



**Thomas A. Schweich**  
Missouri State Auditor

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# Fourteenth Judicial Circuit

## City of Clark Municipal Division



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October 2012

Report No. 2012-132

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Fourteenth Judicial Circuit, City of Clark Municipal Division

### Comments

After a formal request by Randolph County Associate Circuit Judge Cynthia Suter, who also serves as the City of Clark Municipal Judge, we evaluated the municipal division's procedures to account for tickets issued and the city's compliance with Section 302.341.2, RSMo, regarding excess traffic violations revenues. This law requires municipalities deriving more than 35 percent of their annual general operating revenue from fines and court costs for traffic violations occurring on a state or federal highway to turn the excess over to the Department of Revenue for distribution to schools of the county. No findings resulted for the areas audited.

In the areas audited, the overall performance of this entity was **Excellent**.\*

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Fourteenth Judicial Circuit, City of Clark Municipal Division, did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Fourteenth Judicial Circuit

## City of Clark Municipal Division

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge  
Fourteenth Judicial Circuit  
and  
Municipal Judge  
and  
Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Clark, Missouri

We have audited certain operations of the City of Clark Municipal Division of the Fourteenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. A formal request for an audit was received from the Randolph County Associate Circuit Judge who also serves as the Municipal Judge for the City of Clark. The objectives of our audit were to:

1. Evaluate procedures to account for tickets issued.
2. Evaluate the city's compliance with Section 302.341.2, RSMo, which restricts the amount of fines and court costs that may be retained by municipalities from traffic violations occurring on state and federal highways.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Lori Bryant

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# Fourteenth Judicial Circuit

## City of Clark Municipal Division

### Introduction

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#### Background

In a letter dated April 5, 2012, Randolph County Associate Circuit Judge Cynthia Suter, who also serves as Municipal Judge for the City of Clark, formally requested the Office of the State Auditor perform an audit of the City of Clark Municipal Division. The letter expressed concerns about some practices of the city, including the amount of monies received from tickets and ticket accountability, and the possible lack of procedures to monitor excess revenue from traffic violations.

The City of Clark contracts with Randolph County to have city cases heard at the county justice center before the Associate Circuit Judge. The city has not established a violation bureau to collect fines and costs at times other than during court. Therefore, all court receipts are collected by the Associate Circuit Court and the court distributes fines and law enforcement training fees collected to the city on a monthly basis. On March 23, 2012, due to Judge Suter's concerns, city police and court activity were temporarily suspended. On May 3, 2012, the city disbanded its police department after the Police Chief resigned.

#### Financial and Caseload Information

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	Year Ended June 30, 2012
Fines and court costs paid to the city by the Randolph County Circuit Court	\$22,014
Number of tickets issued	396

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#### Scope and Methodology

The scope of the audit included, but was not necessarily limited to, the year ended June 30, 2012.

Our methodology included conducting interviews with appropriate court and city personnel and reviewing pertinent documents.

To evaluate the procedures to account for tickets issued, we obtained an understanding of internal controls related to accounting for traffic tickets, reviewed ticket logs maintained by the city's former Police Chief and the city Prosecuting Attorney, and reviewed reports from the Office of State Courts Administrator listing city tickets entered in the Justice Information System (JIS), the Missouri courts automated case management system, by the Randolph County Circuit Clerk's office. We also reviewed case files, copies of tickets and other documents maintained by the court and the city, and conducted interviews with various court and city employees.

Section 302.341.2, RSMo, requires municipalities deriving more than 35 percent of their annual general operating revenue from fines and court costs for traffic violations occurring on a state or federal highway to remit the excess amount to the Missouri Department of Revenue (DOR), to be distributed to schools of the county.



Fourteenth Judicial Circuit  
City of Clark Municipal Division  
Introduction

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To evaluate the city of Clark's compliance with Section 302.341.2, RSMo, and to determine if the city had collected excess revenues, we obtained the amounts received by the city for fines and court costs for the year ended June 30, 2012, and deducted city ordinance violations and any traffic violations not occurring on state or federal highways to arrive at the total fines and court costs, as defined in Section 302.341.2, RSMo. We then determined what constituted general operating revenue for the city for the year ended June 30, 2012, and computed the 35 percent threshold for the year. We compared the computed threshold to the total applicable fines and court costs to ascertain if the city had excess revenue that should be remitted to the DOR.

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## Conclusion

For the areas audited, we identified (1) no deficiencies in procedures to account for tickets issued, and (2) no instances of noncompliance with Section 302.341.2, RSMo. No findings resulted from our audit of the City of Clark Municipal Division.



Thomas A. Schweich  
Missouri State Auditor

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# Twenty-First Judicial Circuit

## City of Moline Acres Municipal Division

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October 2012

Report No. 2012-131



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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Twenty-First Judicial Court, City of Moline Acres Municipal Division

Ticket Controls and Procedures	Neither the Police Department nor the municipal division adequately account for the numerical sequence and ultimate disposition of traffic tickets issued, making it difficult to ensure all tickets issued are properly submitted for processing. The municipal division and the city lack procedures to track tickets issued on the state highway and the related fines and court costs collected. State law requires municipalities deriving more than 35 percent of their annual general operating revenue from fines and court costs for traffic violations occurring on a state or federal highway to turn the excess over to the Department of Revenue for distribution to schools of the county. It appears total fines and court costs for violations on the state highway did not exceed 35 percent of operating revenue for calendar year 2011.
Bond Liabilities	The Court Administrator does not prepare a list of liabilities to compare to the reconciled balance of the bond account. The list prepared at our request was not accurate, due to several older bonds which should not have been included.
Traffic Signal Account	Fines and courts costs collected by the court for traffic signal camera violations are not transmitted to the city treasury at least monthly, as required by state law.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Twenty-First Judicial Circuit, City of Moline Acres Municipal Division did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Twenty-First Judicial Circuit

## City of Moline Acres Municipal Division

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Presiding Judge  
Twenty-First Judicial Circuit  
and  
Municipal Judge  
and  
Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Moline Acres, Missouri

We have audited certain operations of the City of Moline Acres Municipal Division of the Twenty-First Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.
3. Evaluate the city's compliance with Section 302.341.2, RSMo, which restricts the amount of fines and court costs that may be retained by municipalities from traffic violations occurring on state and federal highways.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.



For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) no instances of noncompliance with Section 302.341.2, RSMo. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Moline Acres Municipal Division of the Twenty-First Judicial Circuit.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized initial 'T' and 'S'.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Katie Twiehaus

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# Twenty-First Judicial Circuit

## City of Moline Acres Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Ticket Controls and Procedures**

Procedures are not adequate to account for the disposition of traffic tickets issued or track the location of traffic violations to ensure compliance with the state excess revenue law.

##### **1.1 Accountability**

Neither the Police Department nor the municipal division adequately account for the numerical sequence and ultimate disposition of traffic tickets issued. The Police Department tracks the ticket book numbers assigned to each officer on a log; however, the disposition of individual tickets issued is not tracked.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the Police Department and the municipal division cannot be assured all tickets issued are properly submitted for processing.

##### **1.2 Monitoring of excess revenues**

The municipal division and the city do not have procedures to track tickets issued on the state highway located in the city, and the related fines and court costs collected, to determine whether excess revenues should be distributed to the state Department of Revenue (DOR). Section 302.341.2, RSMo, requires municipalities deriving more than 35 percent of their annual general operating revenue from fines and court costs for traffic violations occurring on a state or federal highway to remit the excess to the DOR, to be distributed to schools of the county.

The Police Department issues tickets on a state highway located in the city, and we reviewed the location of traffic tickets issued for all court cases processed during October 2011. Based on that review and other audit procedures, it appears total fines and court costs for violations on the state highway did not exceed 35 percent of general operating revenue for the year ended December 31, 2011. The city's audited financial statements for 2011 indicated fines and court costs from all sources totaled \$698,919, representing approximately 40 percent of the city's general operating revenues of \$1.73 million. Therefore, it is important the city and the municipal division work together to monitor for excess revenues.

Procedures to monitor the location of each traffic violation and the related fines and costs are necessary to ensure compliance with Section 302.341.2, RSMo.

#### **Recommendations**

The City of Moline Acres Municipal Division:

- 1.1 Work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.



Twenty-First Judicial Circuit  
City of Moline Acres Municipal Division  
Management Advisory Report - State Auditor's Findings

- 1.2 Work with the City of Moline Acres to track the collection of fines and court costs for traffic violations on the state highway to ensure compliance with the excess revenue state law.

## Auditee's Response

*The Municipal Division and the City Administrator provided the following written responses:*

- 1.1 *As of April 2012, the Police Department transitioned from issuing paper tickets to automated ticketing on handheld machines. This process has an automated numerical system that tracks the ticket numbers that are issued and is uploaded into the court system. All ticket corrections/voids are controlled and tracked by the Court Administrator to prevent any loss of tickets.*
- 1.2 *A monthly report will be generated each month and turned into both the city's Bookkeeper and Financial Advisor so that ticket percentages can be monitored regarding the state highway. At the end of each fiscal year a total will be calculated and any excess revenue will be distributed to the correct state department.*

## 2. Bond Liabilities

Lists of liabilities are not prepared and compared to the reconciled balance of the bond account. At our request, the Court Administrator prepared a list of open bonds at December 31, 2011. The reconciled bond account balance at that date was \$36,996, while the liabilities list prepared by the Court Administrator noted 241 open bonds with total liabilities of \$47,200.

The Court Administrator indicated the listing may not be accurate because many of the older bonds on the list were forfeited, refunded, or used to satisfy fines and court costs. We reviewed case files for 50 bonds on the list and noted 23 bonds totaling \$5,331 were disbursed by check from the bond account and should not be included in total liabilities. After adjusting the difference between the reconciled bond account balance and the liabilities list for the errors identified, the liabilities list still exceeds the bond account balance, indicating a shortage of \$4,893. Based on this work, it is likely the list contains other errors.

Monthly lists of liabilities are necessary to ensure all bond dispositions have been properly recorded. In addition, monthly reconciliations between the open bonds maintained by the court and the bonds held in the bond bank account are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

## Recommendation

The City of Moline Acres Municipal Division prepare accurate monthly lists of open bonds and reconcile the related liabilities to the reconciled bank balance. Any discrepancies and account shortages should be investigated and resolved in a timely manner.



Twenty-First Judicial Circuit  
City of Moline Acres Municipal Division  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Municipal Division provided the following written response:*

*As of February 2012, the Municipal Division has upgraded the court system that allows us to better track any open, closed and refunded bonds. Monthly reports have been and will continue to be distributed to the city's Bookkeeper so that she is able to reconcile the account on a monthly basis allotting enough time to catch any errors that may occur before the end of the year. The Municipal Division will review and correct any remaining discrepancies between the reconciled bond bank account balance and the liabilities listing.*

---

## 3. Traffic Signal Account

Fines and court costs collected by the municipal division for traffic signal camera violations are not transmitted to the city treasury monthly as required by state law.

Our review of the court's Traffic Signal Account noted total receipts of approximately \$45,000 during 2011 and a balance of \$14,096 at December 31, 2011. Fines and court costs are received and deposited into the account on a daily basis; however, the court made only three transmittals of \$10,000 each from this account to the city's general account during the year ended December 31, 2011.

Section 479.080, RSMo, requires the municipal division to disburse fines and court costs to the city at least monthly. In addition, timely transmittal of monies to the city reduces the risk of loss or misuse of funds.

## Recommendation

The City of Moline Acres Municipal Division ensure all fines and court costs are transmitted monthly to the city treasury as required by state law.

## Auditee's Response

*The Municipal Division provided the following written response:*

*Since it is required by state law to make monthly transfers of any court camera revenue, the city's Bookkeeper will make monthly transfers to the city's general account which will be a total of twelve (12) transfers a year leaving no more than \$1,000 in the account.*

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# Twenty-First Judicial Circuit

## City of Moline Acres Municipal Division

### Organization and Statistical Information

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The City of Moline Acres Municipal Division is in the Twenty-First Judicial Circuit, which consists of St. Louis County. The Honorable Maura McShane serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At December 31, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Marc Burstein
Court Administrator	Shadress Burks
Assistant Court Administrator	Libby Ferguson

#### Financial and Caseload Information

	Year Ended December 31, 2011
Receipts	\$698,919
Number of cases filed	7,426

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Moline Acres Municipal Division did not receive any federal stimulus monies during the year ended December 31, 2011.



# Thomas A. Schweich

Missouri State Auditor

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## Village of Altamont



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October 2012

Report No. 2012-130

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of the Village of Altamont

Water, Sewer, and Trash	Significant weaknesses exist in control procedures for the water, sewer, and trash services. The Board increased water, sewer, and trash rates in a November 29, 2011, closed meeting, but the analysis did not include any consideration of future costs of maintaining the water and sewer systems, so it is not clear whether the utility rates charged are appropriate. Additionally, setting utility rates is not an allowable topic for discussion in a closed meeting. The village does not always properly assess late fees on delinquent accounts, follow-up actions on delinquent accounts are not documented, and the Board treated the list of delinquent accounts as a closed record without demonstrating such treatment complies with state law. The village lacks a formal policy detailing when a payment plan may be authorized, and it does not always obtain a signed written payment agreement. The village does not reconcile the balance of the utility deposit bank account to the customer utility deposits held, and the majority of the \$13,729 in the account could not be linked to specific customers.
Accounting Controls and Procedures	The duties of the Village Clerk are not adequately segregated, and the Board does not adequately review or supervise the Clerk's work, making it difficult to ensure all transactions are accounted for properly and assets are properly safeguarded. Receipt slips are not issued for most monies received, and the composition of receipts is not always documented on the receipt slips. Receipts are not reconciled to the amount of monies deposited and are not always timely deposited. The Board does not sign the detailed list of bills approved for payment.
Accounting Records and Financial Reporting	The village's financial accounting system needs improvement. Monthly receipt and disbursement ledgers are not prepared, and the monthly financial report provided to the Board of Trustees is not complete. The village does not properly track and record restricted monies and is not properly allocating some payments for services and expenses to various funds. For example, the Village Clerk was fully paid from the Water and Sewer Fund even though she performs some duties unrelated to the water and sewer system, and \$3,554 for property and liability insurance coverage was paid from the General Fund even though some of the coverage relates to assets of the Water and Sewer Fund and the Street and Road Fund. The village does not prepare annual budgets or publish or post semiannual financial statements, as required by law. In addition, the village does not submit annual financial reports to the State Auditor's office, as required by law.
Ordinances and Nepotism	The village has not adopted some ordinances needed to govern village employees, and village ordinances are not complete, organized, and up to date. It is unclear why the current Village Clerk is classified as an independent contractor rather than a village employee, and there is no written contract between the village and the Village Clerk outlining each party's rights and responsibilities. The sister-in-law of the then-Board

Chairman, Andrew Lollar, was hired as Village Clerk, but the minutes do not indicate whether a vote was taken to approve her hiring or if the Chairman abstained from voting. Article VII, Section 6, Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. Moreover, the entire Board was present when interviews were conducted, but no minutes were maintained, as required by the Sunshine Law.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Village of Altamont did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Honorable Chairperson  
and  
Members of the Board of Trustees  
Village of Altamont, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Altamont. We have audited certain operations of the village in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the village's internal controls over significant management and financial functions.
2. Evaluate the village's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Altamont.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in between.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Lori Bryant

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# Village of Altamont

## Management Advisory Report

### State Auditor's Findings

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#### **1. Water, Sewer, and Trash**

There are significant weaknesses in control procedures related to water, sewer, and trash services, and some Sunshine Law issues were noted. The village collected approximately \$76,000 in water, sewer, and trash fees for the year ended June 30, 2012.

##### **1.1 Utility rates/closed meeting**

There was inadequate documentation to support increases in water, sewer, and trash rates approved by the Board of Trustees at a November 29, 2011, closed meeting. The documentation available to support the rate increases consisted of estimated monthly total costs for providing water, sewer, and trash service, which was divided by the number of connections to the village water system. The analysis did not include any consideration of future costs of maintaining the water and sewer systems. Without maintaining sufficient documentation to support utility rate reviews and increases, the village cannot demonstrate whether utility rates charged to customers are set at a level consistent with the ongoing costs and maintenance of providing the related services. In addition, setting utility rates is not an allowable topic for discussion in a closed meeting.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs, which shows the increase is necessary to cover costs of providing the service. Utility rates should be set to cover the cost of providing the related services and maintain reserves adequate to sustain the system. In addition, the Sunshine Law, Chapter 610, RSMo, lists the topics which may be discussed in closed meetings.

##### **1.2 Delinquent accounts**

Late fees are not always properly assessed on delinquent water, sewer, and trash accounts and the May 20, 2012, Board meeting minutes indicated the list of delinquent accounts is not for public record. The water/sewer user agreement states any payment not received by the 15th of the month after billing is delinquent. A late fee of 10 percent is to be added to each delinquent bill; however, the late fee was not charged for some customers with delinquent bills or if a partial payment had been made after the 15th, the late fee was calculated on the remaining unpaid balance instead of the unpaid balance as of the 15th. A review of the utility billings spreadsheet maintained for the December bills indicated late fees had not been assessed on three accounts for the November billing which had not been paid by November 15, 2011. In addition, there were five accounts where either the total payment or the final payment was made after December 15, 2011, but no late fees were added to the January bill. Also, there was one account where a partial payment was made after the due date, but the late fees assessed on the January bill were calculated on the unpaid balance after the late payment rather than the unpaid balance on the 15th. For the instances noted, a total of \$63 in additional late fees should have been assessed. Furthermore, the list of delinquent accounts provided to the Board each month is not retained nor are the actions approved by the Board documented on the listing or routinely detailed in meeting minutes. The Village Clerk



## Village of Altamont Management Advisory Report - State Auditor's Findings

does keep a copy of the list on the computer on which she notes if the Board approved a payment agreement, granted an extension to pay, or ordered the meter to be pulled; however, she does not document the follow up actions taken on delinquent accounts. Additionally, the minutes of the May 20, 2012, Board meeting indicate the Board reviewed delinquent accounts, but the list of delinquent accounts is not for public record. Without demonstrating how these records are considered closed, the village cannot show compliance with state law.

To ensure all customers are treated in a fair and equitable manner, late fees should be assessed properly on all delinquent accounts and the documentation of actions taken on delinquent accounts should be maintained. Also, Section 610.022.5, RSMo, indicates public records shall be presumed to be opened unless otherwise exempt pursuant to the provisions of this chapter (Chapter 610 - Sunshine Law), and there is no exemption for delinquent utility accounts.

### 1.3 Payment plans

The village sometimes allows customers with delinquent amounts on water, sewer, and trash bills to make alternative payment arrangements; however, signed written agreements are not always obtained and the Board's approval of payment agreements is not always documented. In addition, no formal policy has been developed documenting the process for authorizing payment plans and amounts.

To ensure all customers are treated in a fair and equitable manner, a formal policy should be established documenting the process to determine when payment plans are allowed, how the payment amount is established, and the approval process for these plans. A written and signed payment agreement is necessary to indicate the intent of the customer to pay the outstanding balance and to aid in accounting for and collecting the amounts due to the village.

### 1.4 Utility deposits

The balance of the utility deposit bank account is not reconciled to a list of customer utility deposits held. Per the July 1, 2012, utility billings spreadsheet, utility deposits totaled \$5,840. The utility deposit bank account balance was \$13,729 as of June 30, 2012, indicating that the majority of the utility deposits are not identified.

A complete list of customer utility deposits and periodic reconciliation to the utility deposit bank account balance is necessary to ensure sufficient funds are on hand to cover potential utility deposit liabilities and provide a record of monies held for individual customers.



Village of Altamont  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The Board of Trustees:

- 1.1 Review utility rates periodically to ensure receipts are sufficient to cover all costs of providing these services and maintain reserves adequate to sustain the system. In addition, the Board should maintain sufficient documentation supporting these reviews and any resulting rate increases. Also, the Board should limit discussions in closed meetings to only those specifically allowed by law.
- 1.2 Ensure late fees are assessed on delinquent water, sewer, and trash accounts in accordance with village ordinances. In addition, the list of delinquent accounts provided to the Board should be retained and actions taken to collect on delinquent accounts should be documented. The Board should ensure all village records are available to the public unless they are specifically allowed to be closed by the Sunshine Law.
- 1.3 Establish a formal policy that documents procedures and requirements for customers to be allowed to pay outstanding water, sewer, and trash balances over a period of time and obtain signed written payment agreements.
- 1.4 Ensure adequate records of utility deposits are maintained and periodically reconciled to the bank account, with any differences investigated and resolved.

## Auditee's Response

*The Board of Trustees provided the following written responses:*

- 1.1 *Utility rates are to be reviewed no less than each six months. Review will account for future costs including but not limited to water tower maintenance/repair and water main maintenance/repair. Any discussion of this review and any proposed rate increase will be held in an open meeting. Appropriate documentation of rate calculation will be provided for review and retained for records. The next utility rate review will take place no later than December 30, 2012. All closed meetings will be held in accordance with the law.*
- 1.2 *Excel spreadsheets used for billing will be adjusted to reflect an additional column for account balance as of the 15<sup>th</sup>. This will ensure the late fee assessed will be accurate. The Board is changing policy concerning delinquent accounts. Utilities will still be due on the 15<sup>th</sup> of each month, with a 10% late fee accrued thereafter. However, bills unpaid by the 20<sup>th</sup> will be shut-off. This will eliminate board review of delinquent accounts at each month's meeting with the exception of payment arrangements which will still*



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*be considered for extenuating circumstances. Work orders will continue to be prepared for shut-offs due to non-payment and retained for records after completion. When discussion is held concerning a specific account or account holder, names will not be used in open meetings for privacy reasons, however, documentation (meeting minutes) will show account numbers and be available for public record. This procedure will be implemented no later than December 30, 2012.*

*1.3 The Board will implement a formal policy for payment arrangements. The policy will outline the criteria and special circumstances required for which arrangements will be considered. Account holders must request payment arrangement prior to the 20th at the monthly open board meeting in person or by formal written submission to the board for consideration. Requests made outside of the board meeting will not be considered. In the event that a payment arrangement is approved by the board, documentation outlining the specifics of the arrangement must be signed by account holder and the Chairman and thereafter be kept on file. This policy will be implemented no later than December 30, 2012.*

*1.4 Meter Deposit Fund balance will be reconciled with deposit list spreadsheet monthly, with any differences investigated and resolved immediately. This policy will be implemented no later than December 30, 2012.*

## **2. Accounting Controls and Procedures**

Accounting controls and procedures need improvement.

### **2.1 Segregation of duties**

The duties of the Village Clerk are not adequately segregated, and the Board does not provide adequate supervision or review of the work performed by the Village Clerk. The Village Clerk is responsible for receipting, recording, and depositing monies; preparing utility bills; preparing checks; performing bank reconciliations; and preparing financial reports. Bank statements are provided to the Board for review; however there is no documentation of this review.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.



Village of Altamont  
Management Advisory Report - State Auditor's Findings

## 2.2 Receipts and deposits

Receipts and deposits procedures are inadequate.

- Receipt slips are not issued for most monies received and the method of payment is not always documented on the receipt slips. Receipt slips are only issued for cash payments or if requested. However, the method of payment is indicated for utility receipts on the utility billings spreadsheet.
- Monies deposited are not reconciled to receipt records. Water, sewer, and trash monies collected are posted to the utility billings spreadsheet; however, amounts deposited into the bank account are not reconciled with payments noted on the spreadsheet.
- Receipts are not always deposited in a timely manner. For example, a \$1,539 check, dated November 14, 2011, was not deposited until February 22, 2012, and the May 1, 2012, deposit included more than \$1,400 which was received prior to April 16, 2012.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued and maintained for all monies received, the numerical sequence of receipt slips should be accounted for properly, receipt records including the composition should be reconciled to deposits, and deposits should be made on a timely basis.

## 2.3 Disbursements

The Board does not sign the detailed list of bills approved for payment. While checks require two signatures from Board members, only the Village Clerk is reviewing the invoices for many of the expenses. As a result, it is not clear which disbursements were reviewed or approved since the official meeting minutes simply indicate the Board approved the payment of bills.

To adequately document Board review and approval, a complete list of all bills (including each check number) to be paid should be prepared and retained. The list should be signed after review by the Chairman to provide an independent attestation that the disbursements are a correct record of the village's financial obligations. Failure to properly review all invoices and supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring.

## Recommendations

The Board of Trustees:

- 2.1 Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.
- 2.2 Require receipt slips be issued for all monies received and the numerical sequence should be accounted for properly. Receipt





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Management Advisory Report - State Auditor's Findings

records including the composition should be reconciled to deposits. Additionally, all monies should be deposited in a timely manner.

- 2.3 Sign the detailed list of bills approved for payment and ensure the signed copy is retained.

## Auditee's Response

*The Board of Trustees provided the following written responses:*

- 2.1 *Review of Clerk duties performed will be performed monthly. Review will include but is not limited to Clerk duty performance, bank statements and reconciliation, bank deposits, filing system, billing spreadsheets and paperwork recently filed with state organizations. Review will be conducted by one board member monthly. Board members will conduct review on a rotating schedule (ex. Chairman in October, Board Member #1 in November, Board Member #2 in December etc.). Documentation of review will be kept on file and will include date of review, signature of reviewing board member, signature of Clerk and materials, performance or procedures that were reviewed. Review will occur at City Hall on a date convenient for both Clerk and the reviewing board member. This policy will be implemented no later than October 31, 2012.*
- 2.2 *Receipt slips will be issued for all monies received when mail is opened with method of payment indicated and the numerical sequence of the receipt slips will be accounted for properly. Receipt totals will be reconciled to deposits as well as deposit composition. Deposits should occur weekly. This policy will be implemented no later than October 31, 2012.*
- 2.3 *Expense report provided for board review at monthly meetings will be adjusted to include check numbers for disbursements. Expense report will be signed by Chairman. In the event that additional disbursements are required to be made outside of monthly meeting, such disbursement will be documented in the same form and signed by Chairman and one additional board member. Expense reports will be kept with corresponding meeting minutes. Invoices will be periodically reviewed by the Board. This policy will be implemented no later than October 31, 2012.*

## 3. Accounting Records and Financial Reporting

Significant improvements are needed in the preparation of accounting records and financial reporting practices.



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Village of Altamont  
Management Advisory Report - State Auditor's Findings

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### 3.1 Fund accounting

The village does not have an adequate and complete financial accounting system.

- Monthly receipt and disbursement ledgers are not prepared. In addition, the monthly financial report provided to the Board of Trustees does not include the receipt and disbursement activities of each fund and consists only of the reconciled bank balances in the five checking accounts, and does not include certificates of deposit (CDs) balances until the CDs have been redeemed and deposited into one of the checking accounts. At June 30, 2012, CDs totaled \$10,295.

Fund ledgers and summary reports showing receipt sources and disbursement types should be prepared for each fund on a monthly basis and should be used for comparison to budgeted amounts and overall review of village operations. Complete and organized accounting records are necessary to provide accurate financial information to village officials upon which effective management decisions may be made.

- The village is not properly tracking and recording various restricted monies and is not properly allocating some payments for services and expenses to various funds. For the year ended June 30, 2012, the village received approximately \$76,000 in water, sewer, and trash fees. While these monies are restricted for specific purposes, they were deposited into the Water and Sewer Fund and the related disbursements or balances were not tracked separately. As a result, the village cannot determine at a point in time what portion of the Water and Sewer Fund represents restricted water, sewer, or trash monies. In addition, payments totaling \$6,870 to the Village Clerk for her services during the year ended June 30, 2012, were paid from the Water and Sewer Fund although she performs some duties unrelated to the water and sewer system. Also, \$3,554 for property and liability insurance coverage was paid from the General Fund even though some of the coverage relates to assets owned by the Water and Sewer Fund and the Street and Road Fund.

Receipts, disbursements, and the accumulated balance associated with specific activities should be recorded in separate funds or maintained in a manner to account for those activities. Proper allocations of expenses and recognition of all receipts and disbursements are important to ensure operations can be properly measured and rates periodically evaluated for reasonableness and sufficiency. Documentation should be maintained to support the percentages used for allocating the various expenses.



## Village of Altamont Management Advisory Report - State Auditor's Findings

### 3.2 Budgets

Annual budgets are not prepared for village funds. Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in a budget. Additionally, Section 67.010, RSMo, requires the preparation of an annual budget which shall represent a complete financial plan for the ensuing budget year, and also sets specific guidelines for information to be included in the budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of village operations. It also assists in setting tax levies and utility rates and informing the public about village operations and current finances.

### 3.3 Financial statements

Semiannual financial statements have not been published or posted as required by state law. The publication or posting of semiannual financial statements is intended to provide complete and accurate information to citizens regarding the financial activity and condition of the village. Section 80.210, RSMo, requires the Board prepare and publish semiannual financial statements in a local newspaper, or if there is no local newspaper, to post semiannual financial statements in at least six of the most public places in the village.

### 3.4 Financial reporting

Annual financial reports are not submitted to the State Auditor's office. Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions. In addition, 15 CSR 40-3.030 requires the annual financial report to be filed within 4 months after the end of the political subdivision's fiscal year if an unaudited financial report is filed and within 6 months after the end of the political subdivision's fiscal year if an audit report prepared by a certified public accountant is filed.

## Recommendations

The Board of Trustees:

- 3.1 Ensure a complete financial accounting system is established. Summaries should be prepared documenting monthly receipt sources and disbursement types including interest earned and balances of CDs. Separate funds should be established or records maintained in a manner to account for the receipts, disbursements, and accumulated balances of the separate water, sewer, and trash activities. Additionally, expenses should be properly allocated to the applicable funds or activities.
- 3.2 Prepare annual budgets which include all information required by state law.
- 3.3 Publish or post semiannual financial statements as required by state law.



Village of Altamont  
Management Advisory Report - State Auditor's Findings

- 3.4 Submit an annual financial report to the State Auditor's office as required by state law.

## Auditee's Response

*The Board of Trustees provided the following written responses:*

- 3.1 *Ledgers will be prepared for all accounts. Financial summaries will be prepared monthly. Financial reports provided for board review at monthly meetings have already been adjusted to reflect interest earned, CD balances, CD maturity dates, CD interest rates, loan balance and loan maturity date. Financial reports will further be adjusted to reflect total deposits, total disbursements and reconciled balance for each account. A new bank account will be opened for the purpose of sewer monies. Balances will be kept separate for water and trash even though they are going to be kept in the same fund. Upon utility payments, all monies will be initially deposited into the Waterworks bank account. Deposit forms will be adjusted to provide a breakdown of payments to reflect water, sewer, trash and other money totals in addition to the grand total. We will ensure expenses will be properly allocated. These policies will be implemented no later than November 30, 2012.*
- 3.2 *Budgets for each account will be prepared annually and will include all information required by law. Budgets will be reviewed/adjusted every 6 months thereafter. Annual budget will be completed by end of each fiscal year for the next fiscal year. Fiscal year ends June 30. This policy will be implemented no later than June 30, 2013.*
- 3.3 *Semiannual financial statements will be published/posted in accordance with state law. This policy will be implemented no later than January 30, 2013.*
- 3.4 *Annual financial reports will be submitted to the State Auditor's office in accordance with state law. This policy will be implemented no later than July 31, 2013.*

## 4. Ordinances and Nepotism

Village ordinances need improvement and the Village Clerk classification as an independent contractor needs to be reevaluated. Also, an instance of nepotism occurred.

### 4.1 Ordinances and employment classification

Village ordinances are not complete, organized, and up to date. Additionally, the village has not adopted ordinances needed to govern individuals employed by the village with regard to job duties, work hours, compensation, etc. The village has not documented reasons for classifying the Village Clerk as an independent contractor rather than an employee.



## Village of Altamont Management Advisory Report - State Auditor's Findings

- The board has copies of ordinances, but the ordinances are very old and are not filed in an orderly manner, thus hindering the village's ability to locate specific ordinances. Also, an index of all ordinances passed and rescinded is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.
- The village has not adopted ordinances to establish the duties and compensation of the village clerk. Also, the village did not document reasons for classifying the current Village Clerk as an independent contractor instead of a village employee, while the previous Village Clerk was treated as a village employee. In addition, the Village Clerk uses equipment owned by the village, and there is no written contract between the village and current Village Clerk outlining each party's rights and responsibilities.

Section 80.240, RSMo, allows the Board to appoint certain officials, prescribe their duties, and fix their compensation. Compensation rates set by ordinance, in addition to meeting statutory requirements, document the approved amounts to be paid and eliminate potential misunderstandings on the amount of compensation village officials are to receive. Payments to the Village Clerk were reported to the Internal Revenue Service (IRS) on 1099 forms. Section 105.300, RSMo, defines an elected or appointed officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit income and payroll taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to pay the employer's share of Social Security and Medicare on the compensation paid to employees.

Since ordinances represent legislation which has been passed by the Board of Trustees to govern the village and its residents, it is important ordinances be maintained in a complete, well-organized, and up-to-date manner. Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations.

### 4.2 Nepotism

The August 14, 2011, meeting minutes indicate the sister-in-law of Board Chairman, Andrew Lollar, was hired as Village Clerk; however, the minutes do not indicate a vote was taken to approve her hiring. The entire Board was present when job interviews were conducted on August 10, 2011, but no minutes were maintained. As a result, it is unclear when or if a vote was taken regarding her hiring or if the Chairman abstained from voting. Andrew Lollar is no longer on the Board as his term expired in April 2012.



## Village of Altamont Management Advisory Report - State Auditor's Findings

Article VII, Section 6, Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. Because of the serious consequences which result by appointing a relative, the Board should ensure its members abstain from any decision to appoint a relative and ensure that action is fully documented in the meeting minutes. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so the public has assurance no village official has benefited improperly. In addition, any time a quorum of board members meet and transact public business, such as voting to hire the Village Clerk, it is subject to the Sunshine Law, including the requirement to keep minutes of such meetings.

### Recommendations

The Board of Trustees:

- 4.1 Ensure ordinances are maintained in a complete, well-organized, and up-to-date manner and new ordinances are passed when appropriate. In addition, the Board should establish an index of all ordinances passed and rescinded. Furthermore, the Board should ensure all persons hired by the village are properly classified as employees or contract employees in compliance with state and federal laws and regulations, and all compensation paid is subject to income and payroll taxes and properly reported.
- 4.2 Ensure Board members abstain from voting when a relative's appointment is involved. In addition, the Board should ensure minutes are maintained for all meetings of the Board of Trustees.

### Auditee's Response

*The Board of Trustees provided the following written responses:*

- 4.1 *A complete review and update of Village Ordinances will be conducted. The Village of Altamont will hire an individual/company to do so or join the Small Town Cooperation Board. Membership includes a full review and update of ordinances over a period of time. Ordinances will be organized by establishing an index. This process will begin no later than November 30, 2012 and be completed no later than November 30, 2013. Existing and new persons hired by the village will be clearly documented as employees or contract laborers. Contracts will be drafted and kept up to date on all employees and contract laborers. This policy will be implemented no later than March 30, 2013. The Village Clerk will be treated as an employee and not contract labor. Documentation to that effect will be completed and filed where appropriate. This policy will be implemented no later than October 30, 2012.*



Village of Altamont  
Management Advisory Report - State Auditor's Findings

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- 4.2 *Nepotism did not occur. Chairman, Andrew Lollar, abstained from the vote to hire Clerk, Rachel Toney. Board members did not understand that interviews for hiring are to be treated as closed meetings with proper minutes kept. This issue has already been addressed and corrected. Minutes are kept on all meetings. Any board member related to prospective employees or contract laborers for the Village will not take part in hire discussion and will abstain from any vote to hire. A formal policy will be drafted to this effect and approved by the Board by October 30, 2012.*

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# Village of Altamont

## Organization and Statistical Information

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The Village of Altamont is located in Daviess County. The village was incorporated in 1896. The village has a Village Clerk and several other individuals work as independent contractors.

Village operations include utilities (water, sewer, and trash) and street maintenance.

### Mayor and Board of Aldermen

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman is appointed by the board from the members. Members of the Board of Trustees at June 30, 2012, are identified below. The Board of Trustee members receive no compensation.

Tessa Lollar, Chairman  
Dorothy Black, Trustee  
Dale Hunt, Trustee  
Pete Guess, Trustee  
Robert Stanley, Trustee

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Village of Altamont did not receive any federal stimulus monies during the year ended June 30, 2012.

### Financial Activity

A summary of the village's financial activity for the year ended June 30, 2012, follows:



Village of Altamont  
Year Ended June 30, 2012

	General Fund	Street and Road Fund	Water and Sewer Fund	Community Building	Meter Deposit Fund	Total
<b>RECEIPTS</b>						
Property tax	\$ 4,198	1,386	0	0	0	5,584
Franchise tax	5,980	0	0	0	0	5,980
Motor fuel and vehicle fees	0	7,809	0	0	0	7,809
Water, sewer, and trash fees	0	0	76,207	0	0	76,207
Federal Emergency Management Agency grant	0	1,539	0	0	0	1,539
Utility deposits	0	0	0	0	4,310	4,310
Interest	5	17	14	0	10	46
Other	0	202	0	235	0	437
Transfers in	3,000	0	597	0	0	3,597
<b>Total Receipts</b>	<b>13,183</b>	<b>10,953</b>	<b>76,818</b>	<b>235</b>	<b>4,320</b>	<b>105,509</b>
<b>DISBURSEMENTS</b>						
Wages and payroll taxes	0	0	2,532	0	0	2,532
Independent contractors	0	0	12,220	0	0	12,220
Water purchased	0	0	30,528	0	0	30,528
Sewer lagoon operations	0	0	7,141	0	0	7,141
Trash service	0	0	9,128	0	0	9,128
Computer and software	444	0	0	0	0	444
Customer deposit refunds	0	0	0	20	333	353
Electric	655	2,679	2,051	117	0	5,502
Insurance	3,554	0	0	0	0	3,554
Loan for tractor	0	3,443	0	0	0	3,443
Maintenance and repairs	620	323	6,881	0	0	7,824
Painting water tower	0	0	33,500	0	0	33,500
Phone	677	0	0	0	0	677
Propane	1,862	0	0	0	0	1,862
Miscellaneous	1,770	0	726	0	0	2,496
Transfers out	0	0	3,000	0	597	3,597
<b>Total Disbursements</b>	<b>9,582</b>	<b>6,445</b>	<b>107,707</b>	<b>137</b>	<b>930</b>	<b>124,801</b>
<b>RECEIPTS OVER (UNDER)</b>						
DISBURSEMENTS	3,601	4,508	(30,889)	98	3,390	(19,292)
CASH, JULY 1, 2011	3,605	17,734	50,891	8,698	10,339	91,267
CASH, JUNE 30, 2012	\$ 7,206	22,242	20,002	8,796	13,729	71,975



**Thomas A. Schweich**  
Missouri State Auditor

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# Missouri State Public Defender



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October 2012  
Report No. 2012-129

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Missouri State Public Defender

Background	The Missouri State Public Defender (MSPD) was created by statute in 1972 to provide legal services to eligible persons. The MSPD has three legal services divisions: the Trial Division responsive to the trial courts, the Capital Division responsible for death penalty trial representation, and the Appellate/Post-Conviction Relief Division responsible for appellate and post-conviction litigation.
Caseload and Resources	The MSPD is unable to accurately determine the resources needed to manage caseloads. The MSPD does not track staff time spent by case type, so the MSPD lacks detailed information to estimate staff hours per caseload. Audit staff reviewed the caseload protocol calculation procedures and noted significant concerns with the methodology and data used to calculate key components and the final calculation as to whether maximum caseload has been exceeded. The MSPD lacks support or basis for many components of the caseload protocol calculation, and there is a lack of assurance various components are comparable. The MSPD determines the number of needed attorney hours based upon converted national standards with the assumption of each attorney working on cases 2,080 hours per year, but calculates the number of available attorney hours based upon each attorney working on cases an average of 1,536 hours per year. In addition, the MSPD lacks adequate procedures to measure the need for additional support staff.
Indigence Determinations	The MSPD lacks sufficient policies and procedures for determining indigence to ensure public defender services are provided to only eligible applicants. Some opened cases reviewed lacked sufficient documentation to support the indigence determination; and sufficient information is frequently not entered in the Case Management System, which prevents the MSPD from monitoring indigence determinations and court appointments on a state-wide basis.
Liens and Promissory Notes	Under state law the MSPD is required to file a lien with the circuit court for the reasonable value of services rendered to each defendant, and the court must rule on whether to allow all or any part of the lien. The MSPD does not always properly charge applicable costs to defendants and did not file liens or prepare promissory notes for some cases tested. The amount of liens filed and promissory notes prepared were often insufficient, and the MSPD had no documentation to support the lien and promissory note fee schedule.
Collection Procedures	Some circuit courts frequently deny liens filed, making it impossible for the MSPD to recover costs associated with services provided, and some courts do not attempt to collect MSPD liens. The MSPD does not monitor court collection efforts or encourage the courts to collect liens. Currently, the MSPD collects payments on liens and promissory notes through tax and lottery intercepts, collections by some courts, and direct payments from defendants, but other collection methods may be available which the MSPD has not considered or evaluated. As of June 30, 2010, the MSPD had approximately \$70.1 million in unpaid liens and promissory notes.

Conflict Cases	Under MSPD guidelines and a Supreme Court rule, an attorney cannot provide representation in cases that present a conflict of interest, but the MSPD does not always adequately document conflict cases. The MSPD policy requiring automatic transfer of conflict cases to another district office or contract attorney may unnecessarily increase costs and decreases attorney time available to represent cases.
Contract Attorneys	The MSPD contracts with private attorneys to provide representation for certain cases, but the MSPD does not track or monitor the disposition of cases handled by the contract attorneys and does not maintain documentation of the selection process.
Professional Consultants	MSPD attorneys did not always solicit bids or use state contracts for court reporting services and did not always maintain documentation supporting the selection of other professional consultants. The MSPD does not adequately monitor payments to professional consultants. Agreed-upon terms are not always documented in retention letters and/or encumbrance requests, and the expert database lacks sufficient data needed to ensure payments to consultants are reasonable.
Transcripts on Appeal	A state law requiring the MSPD to pay for transcripts on cases under appeal may cause excessive and unnecessary costs to the state. Court reporters were paid a total of \$600,000, \$515,000, and \$350,000, for transcripts on appeal in addition to their state salaries during the years ended June 30, 2010, 2009, and 2008, respectively.
Employee Travel Costs	The MSPD spends approximately \$1.7 million per year on employee travel and has not performed a comprehensive analysis to identify ways to reduce travel costs and increase employee productivity. MSPD travel policies and procedures do not minimize mileage and lodging costs.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	During the year ended June 30, 2010, the MSPD spent \$499,890 from the Federal Budget Stabilization - Medicaid Reimbursement Fund for contract attorneys for caseload relief.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Missouri State Public Defender

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the Missouri General Assembly  
and  
Members of the Public Defender Commission  
and  
Cathy R. Kelly, Director  
Missouri State Public Defender  
Jefferson City, Missouri

We have audited certain operations of the Missouri State Public Defender (MSPD) in fulfillment of our duties under Chapter 29, RSMo. The objectives of our audit were to:

1. Evaluate internal controls over significant management and financial functions.
2. Evaluate compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Evaluate procedures to determine and manage caseload.

For the areas audited, we (1) identified deficiencies in internal controls, (2) identified noncompliance with legal provisions, (3) identified the need for improvement in management practices and procedures, and (4) determined the MSPD lacks sufficient information necessary to accurately evaluate and determine resources needed to effectively manage its caseload.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Kim Spraggs, CPA
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Ryan Redel, CFE, CIA
	Mariam Ahmedbani

# Missouri State Public Defender

## Introduction

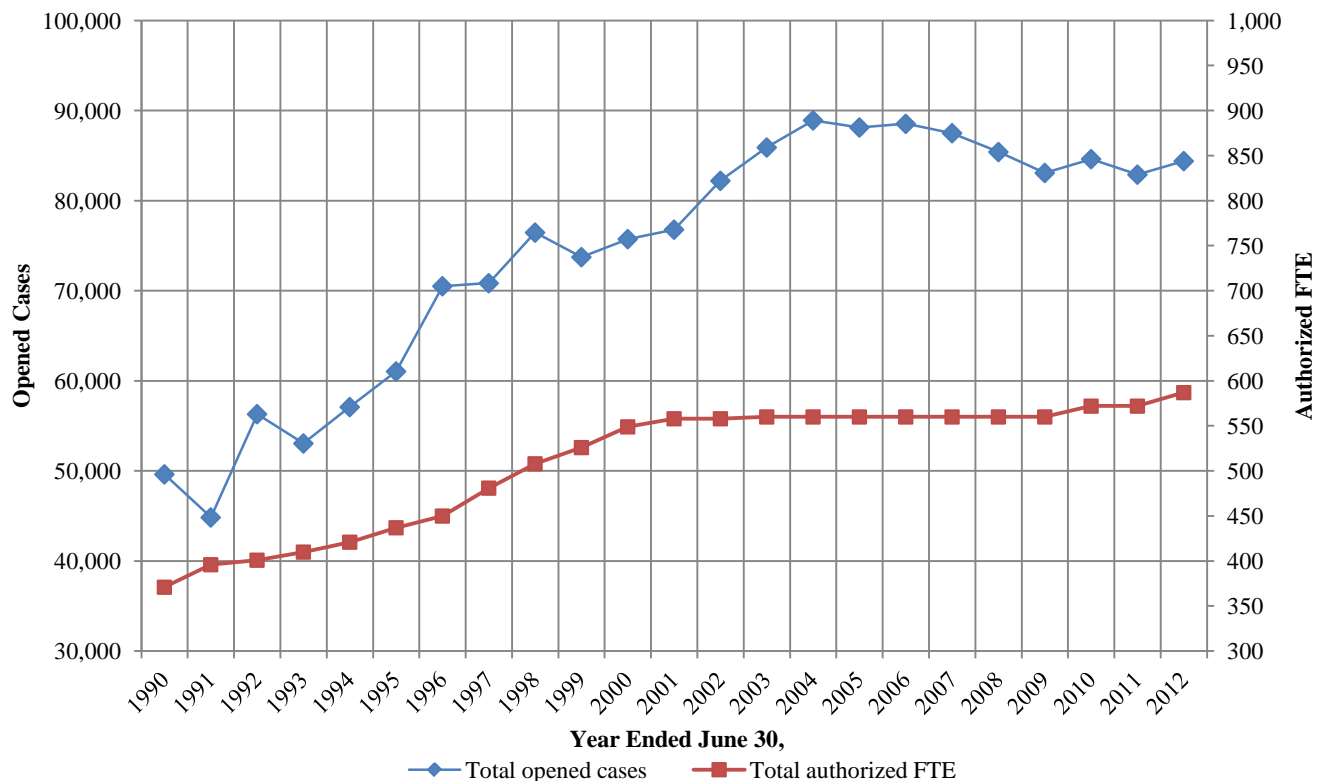
### Background

The Missouri State Public Defender (MSPD) spends approximately \$36 million per year providing legal representation to indigent defendants accused of state crimes in Missouri's trial, appellate, and Supreme Courts. MSPD officials stated the MSPD cannot fully meet its defense obligations because it lacks the resources needed to meet its caseload. The MSPD has responded to its workload problems by reorganizing certain programs, redistributing caseloads to certain district offices, creating volunteer attorney programs, requesting additional resources from the legislature, and developing a caseload protocol to identify district offices in which caseload is excessive and a corresponding administrative rule allowing the refusal of new cases in those district offices. The MSPD's caseload and its ability to efficiently meet its caseload affects not only the MSPD, but the entire court system.

### MSPD caseload and resources

Like many public defenders in other states, as well as other entities in the criminal justice system, the MSPD's growth in caseload has outpaced its growth in staffing resources. Increases in the MSPD's caseload and staffing levels since the MSPD assumed state-wide responsibility in 1989 are noted below:

### MSPD Caseload and Staffing



Source: MSPD annual reports





## Missouri State Public Defender Introduction

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As noted above, the difference between new cases and staffing levels has decreased in recent years. According to MSPD officials, this is primarily due to efforts by some courts to decrease the MSPD caseload and additional staff granted by the legislature. Since 1990, the MSPD's caseload has increased by 70 percent, while the number of staff has increased by 58 percent.

### Caseload

The cost and amount of staff time needed to defend a case varies by case type. The distribution of cases opened during fiscal years 2010 and 2011, by case type, was as follows: felony cases - 43 percent, misdemeanor cases - 28 percent, juvenile cases - 3 percent, post-conviction release cases - 1 percent, probation violation cases - 24 percent, and appeals cases - 1 percent.

### Resources

According to MSPD annual reports, Missouri's per capita spending on public defense ranks 49th in the nation. MSPD expenditures totaled approximately \$36 million, \$35.7 million, and \$34.6 million during the years ended June 30, 2010, 2009, and 2008, respectively. Approximately 72 percent of MSPD fiscal year 2010 expenditures was for salaries. Other significant expenditures included professional services and travel. Costs per opened case during fiscal year 2010 averaged \$295, \$19,572, \$1,615, and \$94,675 for the Trial Division, Civil Commitment Defense Unit (CDU), Appellate Division, and Capital Division, respectively. See Appendixes B and C for further details regarding MSPD expenditures.

For many years, MSPD budget requests have included funding for additional staff to meet caseload demands. Each recent budget request has included additional attorneys and support staff (secretaries, legal assistants, and investigators). Using the caseload protocol (see below), the MSPD's fiscal year 2010 budget request indicated the MSPD needed an additional 192 (up from 300) Trial Division attorneys, an additional 14 (up from 36) Appellate/Post-Conviction Relief (PCR) Division attorneys, and an additional 179 (up from 150) support staff.

Despite these requests, the MSPD has received only small appropriation increases in recent years. Beginning in fiscal year 2008, the MSPD received approximately \$1.2 million annually to contract approximately 750 additional cases to private counsel. Beginning in fiscal year 2009, the MSPD was authorized to use approximately \$800,000 of these funds to hire 12 attorneys and continue to use the remaining funds to contract cases to private counsel. In fiscal year 2010, the MSPD received approximately \$500,000 in American Recovery and Reinvestment Act of 2009 monies to contract additional cases to private counsel. Beginning in fiscal years 2010 and 2011, the MSPD received funds to hire a total of 15 additional support staff. For fiscal year 2013, the MSPD received approximately \$442,000 to contract additional cases for caseload relief.

MSPD staffing resources have been further impacted by attorney turnover. MSPD annual reports show the percentage of attorneys leaving the MSPD



## Missouri State Public Defender Introduction

during the past 15 years has ranged from 7 percent in fiscal year 2009 to 22 percent in fiscal year 2003. Annual reports indicate attorney turnover has declined in recent years due to the condition of the economy and salary adjustments given in fiscal year 2007; however, the rate increased to 12 percent in fiscal year 2012.

MSPD payroll data shows many employees work extra hours without compensation. A report of uncompensated overtime reported on timesheets during fiscal year 2011, by the 421 employees exempt from overtime provisions, showed an average of 67 hours per employee for the year. A report of annual leave forfeited by employees as of October 31, 2010, showed 98 MSPD employees forfeited a total of 4,392 earned annual leave hours, or an average of 45 hours per employee.

### Caseload protocol

In response to its growing caseload and lack of resources, the Public Defender Commission adopted administrative rule 18 CSR 10-4.010, and the related caseload protocol (Appendix D) in November 2007. The rule and protocol together establish a procedure for determining the maximum caseload attorneys in each public defender office can be expected to manage. When the total hours needed to manage the cases assigned to the office exceed the available hours for that office for 3 consecutive months, the rule authorizes the MSPD to certify the district office as having limited availability and begin turning away excess cases. The rule became effective in July 2008, and the MSPD began placing offices on limited availability shortly thereafter. As noted above, the MSPD also uses the caseload protocol to calculate and request additional staffing in annual budget requests.

The MSPD's authority to set maximum caseloads was challenged. In December 2009, the Missouri Supreme Court ruled the MSPD could not limit offices to "categories" of case types as part of the certification process. Subsequently, the MSPD began limiting offices for "all" cases when caseload limits were reached. The administrative rule eventually became the subject of litigation before the Missouri Supreme Court. The Supreme Court appointed a Special Master to review the appropriateness and accuracy of, and the MSPD's compliance with, the administrative rule and caseload protocol. The Special Master's reports were issued in February and April 2011. The Special Master reported the MSPD followed the procedures in the administrative rule and "the MSPD protocol is not inaccurate, but there is serious question as to whether it is sufficiently accurate to justify the imposition of negative consequences on the rest of the criminal justice system." The Special Master reported on various alternatives in indigent defense, but indicated "none of the alternatives in indigent defense are as cost-effective or professionally effective as a well-funded and well-managed public defender system." He further reported a potential solution lies in the revision of the Missouri Criminal Code, suggesting revisions of penalties for certain crimes could reduce the caseload of the entire criminal justice system.



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## Missouri State Public Defender Introduction

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The MSPD placed new certifications of limited availability on hold pending the resolution of the Supreme Court litigation. As of October 1, 2011, 8 of 42 district offices had been certified as exceeding their maximum allowable caseloads, and an additional 8 offices had been given notice they were at risk of certification. However, due to the pending litigation, most courts continued to appoint cases to the MSPD. In July 2012, the Supreme Court held it is the MSPD's duty to comply with the administrative rule to determine maximum caseloads. The Supreme Court did not conclude on the applicability or validity of the administrative rule and caseload protocol because these issues were not challenged in the case.

Several prosecutors have questioned the MSPD's claims of being in a caseload crisis and publically voiced concerns regarding the adequacy and methodology used in the caseload protocol. Specifically, they have questioned the applicability of the 1973 national caseload standards to MSPD practices, the number of hours allocated to certain case types, and the method of counting cases. Various members of the criminal justice system have stated they believe the entire criminal justice system is experiencing a caseload crisis as a result of insufficient funding.

### External party responses to caseload problems

Efforts have been made by various external parties to address MSPD caseload problems and relieve the stress of increasing caseloads on the court system as a whole.

- In 2005, the Missouri Bar Task Force on the Missouri State Public Defender was created to identify and solve needs related to indigent criminal defense. The task force contracted with a criminal justice consultant to assess MSPD operations. The consultant's overall assessment was that the MSPD was operating in "crisis mode" and violating seven of the ten principles<sup>1</sup> on public defense systems. The consultant reported the MSPD was experiencing continuous staff turnover, loss of experienced attorneys, extremely low salaries, low morale, and a real perception of case overload. The consultant also questioned the adequacy of the MSPD's current caseload standards because the standards were not based on a "meaningful case weighting analysis."
- In 2006, the Office of Administration Personnel Advisory Board reviewed MSPD attorney salaries, finding the salaries were low relative to the salaries of attorneys working in prosecuting attorney offices and other state and federal public defender offices. The report resulted in salary increases of 4 to 8 percent for Assistant Public Defender positions.

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<sup>1</sup> ABA Ten Principles of a Public Defense Delivery System (2002).



## Missouri State Public Defender Introduction

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- In 2006, the Senate Interim Committee on the Missouri State Public Defender was established to review the effectiveness of the MSPD. The committee recommended a reduction in caseload and an increase in support staff and public defenders (through hiring or contracting with attorneys), and an increased base salary of public defenders and additional funding be provided. The committee's report provided various suggestions for implementing these recommendations.
- In 2006, the Missouri Bar offered free Continuing Legal Education to attorneys who volunteered to take minor traffic offense cases for the overloaded MSPD offices. According to the MSPD annual reports, approximately 100 attorney volunteers took a case or two each.
- In 2008, the Missouri Bar hired the consultant who had performed the 2005 assessment to conduct a follow-up evaluation of the MSPD and develop caseload standards for determining staffing needs. The consultant concluded caseload standards could not be developed due to poor practices resulting from inadequate funding and excessive caseload. However, a 2010 review of the report by a University of Missouri professor questioned the validity of the consultant's report.
- In 2008, in response to the placement of the Springfield Public Defender office on limited availability due to its excessive caseload, the Springfield Metro Bar developed a 1-year initiative where approximately 80 volunteers covered all probation revocation cases in the 31st Judicial Circuit. The program expired in 2009.
- In the 2009 legislative session, Senate Bill 37, which would have given the MSPD the statutory authority to establish and enforce caseload limits, was passed by the legislature but vetoed by the Governor.
- In 2009, the Missouri Bar Criminal Justice Task Force was created to review issues related to resources within the criminal justice system. The task force concluded additional funding for the criminal justice system was needed but acknowledged funding is not always available. The task force developed seven recommendations to facilitate better utilization of existing resources. These recommendations were considered by the Missouri Bar Criminal Council and the Missouri Bar Board of Governors who supported proposed legislation and Supreme Court rule changes to improve efficiency of prosecutors and the MSPD.



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## Missouri State Public Defender Introduction

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- In 2010, in response to the MSPD's certifications of low availability for several circuits, some courts began efforts to reduce the number of cases referred to the MSPD by appointing private attorneys to handle juvenile cases, waiving jail time on certain offenses, and referring fewer probation violations to the MSPD.
- House Bill 253 was passed in the 2011 legislative session reducing the penalties for various first time misdemeanors.
- In 2011, the Missouri Working Group on Sentencing and Corrections was formed to analyze and make recommendations to improve public safety, enhance offender accountability, and reduce corrections spending. The Group made several recommendations related to offender sentencing and supervision. Senate Bill 872 seeking to restructure the state's criminal code was introduced, but did not pass, in the 2012 legislative session.

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## Scope and Methodology

Our methodology included the following procedures:

- Reviewing minutes of meetings, written policies and procedures, and relevant statutes, regulations, and Supreme Court rules.
- Interviewing various personnel of the system, as well as certain external parties.
- Interviewing and/or researching various practices of other state public defender offices.
- Reviewing national caseload standards, guidelines, opinions, and reports related to indigent defense.
- Reviewing and analyzing case and financial data obtained from the system and external sources.
- Reviewing the support for the Caseload Crisis Protocol and monthly caseload protocol calculations.
- Reviewing the indigence determination documentation of 68 opened cases and 60 denied applications.
- Reviewing the liens filed or promissory notes prepared for 66 cases, 10 additional cases with litigation expenses, and 190 closed cases represented by contract attorneys.
- Reviewing the documentation supporting conflicts for 17 cases.



## Missouri State Public Defender Introduction

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- Reviewing the selection documentation, encumbrance requests, invoices, and/or agreements for 7 contract attorney and 23 professional service engagements.
- Reviewing certain employee expense reimbursements and corresponding lodging invoices for 18 employees, lodging invoices associated with one capital case, and invoices and bids associated with one system-wide workshop.
- Reviewing other pertinent documents as necessary.

The audit focused on procedures as of August 2011 and during the years ended June 30, 2010, 2009 and 2008.

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# Missouri State Public Defender

## Management Advisory Report

### State Auditor's Findings

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#### **1. Caseload and Resources**

The Missouri State Public Defender (MSPD) lacks sufficient information to accurately determine the resources needed to manage caseloads. The MSPD's ability to accurately determine needed resources is further hampered by numerous MSPD processes that are not conducted efficiently.

In November 2007, the MSPD adopted the Caseload Crisis Protocol (Appendix D) to determine if attorney resources are sufficient to manage caseloads and meet its statutory responsibility. The caseload protocol calculations are used to evaluate each district office's caseload monthly and certify those offices as having limited availability, as applicable, and to estimate additional attorney resources needed for annual budget requests.

Our review of the calculations and available data supporting the caseload protocol noted the MSPD lacks sufficient support for the data and methodology used for protocol calculations. As a result, the amount of resources needed to meet MSPD caseloads is unclear. Instead of tracking actual employee time spent by case type and using that data to estimate needed and available attorney hours, these amounts are determined through complex calculations based on various unsupported assumptions and estimates discussed below. In addition, the MSPD lacks adequate support for estimated support staff needed to assist attorneys in meeting caseload.

##### **1.1 Tracking and recording staff hours**

The MSPD does not track staff time spent by case type; as a result, the MSPD lacks detailed actual information to estimate staff hours per caseload. Although the MSPD conducted a time study in 2006, the time study results were not utilized to determine or estimate the number of staff hours needed to manage assigned caseload. Instead, as noted below, converted caseload standards are used in the caseload protocol calculations.

Although the Case Management System includes a time log system for tracking and recording staff time by case and task, this system has not been utilized since the 2006 time study. MSPD officials indicated the system is not routinely utilized because staff lack the time to perform this additional administrative task. They also indicated tracking time data would not be useful because it does not account for the impact on work quality due to excessive caseloads. In 2009, an external consultant retained by the Missouri Bar Association to evaluate the MSPD reviewed the MSPD internal time study procedures and data. The consultant concluded MSPD case standards (case weights) could not be derived from the time study for several reasons including 1) MSPD attorneys spent significant amounts of time performing duties that should be performed by support staff (legal assistants, clerical staff, paralegals, and investigators), 2) MSPD attorney caseload was too high and the MSPD lacked sufficient resources, and 3) MSPD indigence determination procedures were inadequate. The consultant reported improvement was needed in these areas before caseload standards could be developed.



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Missouri State Public Defender  
Management Advisory Report - State Auditor's Finding

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Without tracking and recording staff hours by case and task and analyzing the sufficiency of those hours, the MSPD lacks the data needed to accurately assess time spent on various cases and develop reasonable and representative estimates of attorney and staff hours needed to meet caseload. Because numerous external and internal factors affect the workload of individual public defender offices, it is imperative that staff hours be tracked, analyzed, and used to determine staff hours needed to meet the caseload for each office. Sufficient procedures should be established to identify and estimate any adjustments to actual hours needed to allow staff to provide competent representation.

## 1.2 Caseload protocol (attorneys)

Our review of the caseload protocol calculation procedures noted significant concerns with the methodology and data used to calculate the key components as well as the final calculation of whether maximum caseload has been exceeded. Of overall concern is the lack of assurance the components used in the calculation are comparable. While the number of needed attorney hours is calculated based on converted national caseload standards with the assumption attorneys work on cases 2,080 hours per year, the number of available attorney hours is calculated based on an estimation that the MSPD attorneys work on cases an average of 1,536 hours per year (see further explanations below).

Needed attorney hours are calculated by multiplying case weights (number of case-related hours needed per case) by the number of cases assigned a district during a specified period of time. The MSPD determined the case weights by converting national caseload standards from number of cases per year to number of hours per case type. Both of these components, case weights and number of cases, significantly impact the calculated attorney hours needed to meet caseload.

The caseload protocol provides for the calculation and comparison of the number of needed and available attorney hours to manage assigned caseload during a specified time period for each district office. If calculated needed hours exceed available hours, the MSPD considers the district to have exceeded its maximum allowable caseload standard for the specified period, and may certify that district office as unavailable to take new cases.

### Case weights

Most case weights were calculated based on national caseload standards without sufficient procedures to verify the applicability of the national standards to the MSPD. The MSPD conversion of the national caseload standards from years to hours by case type is based on assumptions for which the MSPD could provide no support or basis. As a result, the accuracy and reasonableness of these assumptions and the resulting calculated case weights is unclear.

National caseload standards outlined in Standard 13.12, Workload of Public Defenders, developed in 1973 by the National Advisory Commission





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(NAC) on Criminal Justice Standards and Goals, Department of Justice (national caseload standards), are the basis for most case weights. Those standards designate a maximum number of cases per year that public defender attorneys should manage for felonies, misdemeanors, juvenile, Mental Health Act, and appeals cases. According to the caseload protocol, these standards have formed the basis for most public defender caseload standards presently in existence around the country. For each significant case type included in the national caseload standards, the MSPD converted the national caseload standard to number of hours per case assuming a 2,080 hour work year (annual hours based on 40-hour work weeks). For certain case types not identified in the national caseload standards, the MSPD used alternative procedures to establish case weights. The national caseload standards, converted case weights, and time study results by case type are reflected below:

National Caseload Standards		MSPD converted case weights (hours per case unless otherwise indicated)	Average number of hours per 2007 time study
Case Type	Caseload Standard		
Capital Homicides	NA	6 open cases per attorney	NA
Sexually Violent Predator	NA	8 open cases per attorney	NA
Non-capital Homicides	NA	173	153
Sex Offenses	NA	31	30
Other Felony Offenses	150 cases per year or 12.5 new cases per month**	14***	8
Misdemeanors	400 cases per year or 33 new cases per month	5***	4
Juveniles	200 cases per year or 17 new cases per month	10***	6
Appeals	25 cases per year or 2 new cases per month	83***	NA
29.15* Post Convictions	NA	62****	NA
24.035* Post Convictions	NA	21*****	NA
Probation Violations	NA	5	4

- \* Missouri Supreme Court Rule
- \*\* National caseload standard applies to all types of felonies
- \*\*\* 2,080 hours divided by national caseload standard number of cases per year
- \*\*\*\* three-fourths of the appeals case weight
- \*\*\*\*\* one-fourth of the appeals case weight

MSPD officials stated national caseload standards were used to develop case weights because those standards are independent, reasonable, and commonly used in other states. However, the MSPD made no adjustments to the national caseload standards to account for any significant conditions specific to the MSPD or changes experienced by the criminal justice system since 1973, such as advancements in technology, changes to state and local laws, and changes in caseload and resources.



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Missouri State Public Defender  
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In addition, the national caseload standards provide very little information regarding the methodology and factors considered in the development of the standards. Therefore, the MSPD made various assumptions when converting the national caseload standards to case weights. The MSPD conversion methodology assumes the national caseload standards were based on attorneys spending 100 percent of the work year on case-related work, without any absences due to vacations or illness. The caseload protocol states the national caseload standards assume a standard 40-hour work week, or 2,080 available attorney hours per year; and the national caseload standards "did not allot any attorney time for non-case hours for supervisory, administrative, or training tasks, account for travel time in rural versus urban jurisdictions, or consider the availability or lack of support staff as factors in determining the time lawyers would have available to spend preparing their cases." However, such information was not documented in the standards and the MSPD could provide no documentation to support the accuracy of these assumptions.

Further, as indicated in the caseload protocol, national caseload standards did not distinguish between types of felony offenses and were not established for certain types of cases. While case weights for sex offense cases were based on the results of the internal time study because these cases are more time consuming than other felony cases, the MSPD could provide no documentation to support the methodology for determining case weights for other types of cases not included in the national caseload standards.

Without adequate information to support how the national caseload standards were derived or maintaining documentation to support assumptions and decisions regarding case weights, the MSPD is unable to demonstrate it has accurately converted the standards to case weights. The May 2006 American Bar Association (ABA) Ethical Advisory Opinion No. 06-0441, regarding the national caseload standards provides that "although [National] standards may be considered, they are not the sole factor in determining if a workload is excessive. Such a determination depends not only on the number of cases, but also on such factors as case complexity, the availability of support services, the lawyer's experience and ability, and the lawyer's nonrepresentational duties." Similarly, principle five of the ABA's Ten Principles of a Public Defense Delivery System, adopted in February 2002, states, "national caseload standards should in no event be exceeded, but the concept of workload (i.e. caseload adjusted by factors such as case complexity, support services, and an attorney's nonrepresentational duties) is a more accurate measurement."

#### Case counts

The MSPD method of counting cases for caseload protocol calculations is not consistent with national caseload standards.

The caseload protocol calculation of needed attorney hours provides for the multiplication of the number of each type of case in the assigned caseload



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by the applicable case weights. To determine assigned caseload for each case type, the MSPD counts the number of new opened cases less the number of cases withdrawn, transferred to another district office, or contracted to private counsel. Because the MSPD counts each individual opened case as one case, regardless of the circumstances, incidents where charges were filed in separate cases are counted as more than one case for caseload protocol calculation purposes. MSPD officials explained procedures for assigning case numbers to incidents vary among courts and prosecuting attorneys. While some courts and prosecuting attorneys assign separate cases for each charge associated with an incident, others combine all charges associated with an incident in one case. However, the MSPD has not analyzed or determined the time and costs associated with representing defendants on multiple cases associated with one incident to evaluate the propriety of the practice to count each case equally.

This practice does not appear consistent with the national caseload standards which state, "for purposes of this standard, the term case means a single charge or set of charges concerning a defendant (or other client) in one court in one proceeding." Counting each case individually results in a higher calculated number of needed attorney hours than combining cases associated with one incident for case counting purposes. Without analyzing the methodology for counting cases for caseload protocol calculation purposes, the MSPD cannot ensure the appropriateness of the case counts utilized.

Available attorney hours

The MSPD does not have adequate documentation to support significant adjustments made to the calculated number of available attorney hours.

In the caseload protocol calculations, the MSPD reduced total annual attorney hours of 2,340 (based on a 45-hour work week) for the following: average non-case-related tasks (320.5 hours, or 13.7 percent), average holidays and annual leave (216 hours, the minimum annual employee leave accrual plus holidays), average sick leave (51.5 hours, or 2.2 percent), average travel time (varies based on actual miles traveled by district), and average management and supervision time (varies based on number of district employees, multiplied by 1.5 hours per week). Monthly caseload protocol calculations for the year ended June 30, 2010, ranged from 1,363 to 1,635 hours per attorney per district, an average of 1,536 hours. These calculations provide that MSPD attorneys spend an average of 74 percent (5.9 hours per 8-hour day) on case-related responsibilities.

While most adjustments are supported by the 2006 time study or actual data, the MSPD maintained no documentation to support the 2,340 total annual attorney hours and the 1.5 hours per week adjustment for management and supervision. According to an MSPD official, these adjustments were based on management judgment and experience and no tracking or study of actual data was performed to determine the reasonableness of these adjustments.



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Without maintaining documentation to support all components of the calculation of available attorney hours, the MSPD is unable to demonstrate the accuracy and reasonableness of the calculated number of available attorney hours.

#### NCSC review

A November 2010 review of the caseload protocol by the National Center for State Courts (NCSC) prepared for the Special Master also identified various concerns with the protocol. These concerns included 1) the use of the national caseload standards which are old, very broad, and do not represent practices in Missouri, 2) the apparent inability to make further use of the 2006 time study, and 3) the lack of means to measure support staff needs. In March 2011, the MSPD submitted an affidavit to the Supreme Court outlining errors and inconsistencies in the NCSC review.

### 1.3 Support staff

The MSPD has not developed adequate procedures to measure the need for additional support staff. MSPD caseload protocol indicates, and the 2006 time study supports, that attorneys spend a significant amount of time performing tasks that could otherwise be performed by support staff. Recent budget requests indicate the MSPD needs to increase support staff levels from one legal assistant per approximately nine attorneys, one clerical staff per approximately five attorneys, and one investigator per approximately six attorneys; to one legal assistant, one clerical staff, and one investigator per three attorneys. However, these ratios were developed using national guidelines rather than MSPD data. While support staff time was tracked in the 2006 time study, this time has not been utilized in estimating support staff needed.

Procedures to accurately estimate support staff hours needed to assist attorneys are necessary to support management decisions and budget requests. Such procedures should include an analysis of actual time spent by attorneys and support staff in performing administrative tasks that could more efficiently be performed by support staff.

### Conclusions

According to the National Legal Aid and Defender's (NLADA) Guidelines for Legal Defense Systems in the United States, ". . . every defender system should establish maximum caseloads for individual attorneys in the system. Caseloads should reflect national standards and guidelines. The determination by the defender office as to whether or not the workloads of the defenders in the office are excessive should take into consideration the following factors: (a) objective statistical data; (b) factors related to local practice; and (c) an evaluation and comparison of the workloads of experienced, competent private defense practitioners." The NLADA further states, ". . . when faced with an excessive caseload, the defender system should diligently pursue all reasonable means of alleviating the problem, including: (a) declining additional cases and, as appropriate, seeking leave of court to withdraw from cases already assigned; (b) actively seeking the



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support of the judiciary, the Defender Commission, the private bar, and the community in the resolution of the caseload problem; (c) seeking evaluative measures from the appropriate national organization as a means of independent documentation of the problem; (d) hiring assigned counsel to manage the additional cases; and (e) initiating legal causes of action." These steps should be accompanied by sufficient actions to improve efficiency and accurately assess MSPD workload.

Due to numerous variables, as noted above, the process of determining the acceptable caseload for a public defender office and additional resources needed, if any, is very complex. The MSPD needs to perform a comprehensive analysis of its caseload protocol and make appropriate revisions to ensure the calculations accurately estimate and compare needed and available staff hours. Such analysis should include review of actual staff time spent on each case type and sufficiency of that time. If the MSPD continues to use the national caseload standards for case weights, sufficient procedures should be performed to determine applicability of the national standards to the MSPD and to accurately identify any adjustments needed. The caseload protocol calculation process should be periodically analyzed and adjusted as needed, and documentation should be maintained to support all data, assumptions, and adjustments included in the caseload protocol calculations. Finally, as the MSPD implements the recommendations of this report and improves efficiency of its operations, the caseload protocol calculations should be revised as needed.

## Recommendations

The MSPD:

- 1.1 Establish procedures to track and analyze staff hours by case type, and use that data to support significant management decisions including estimating staff hours needed to meet caseload.
- 1.2 Perform and document a comprehensive analysis of the caseload protocol and make appropriate revisions to ensure calculations accurately estimate and compare needed and available staff hours. Periodic analysis of the caseload protocol should be performed and revisions made as necessary.
- 1.3 Develop procedures to accurately estimate support staff hours needed to assist attorneys in meeting caseload.

## Auditee's Response

- 1.1 *MSPD agrees that tracking staff hours by case type should be implemented, and this has already begun. Indeed, the Missouri State Public Defender Commission had already come to this same conclusion independently and made the decision in their conference call meeting on August 8, 2012, to institute across-the-board timekeeping. That decision was communicated to the system's District Defenders at their meeting on August 24, 2012. Staff is*



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*currently reacquainting themselves with the time keeping software used in our 2006 time-tracking study and making recommendations for updates and changes to make it both more effective and more user-friendly. Once their feedback has been received and the needed changes finalized, the IT staff will complete the necessary programming changes and time-keeping will officially begin for all MSPD employees. The exact date for that will depend on the number and complexity of programming changes needed to incorporate the new functionality and management recommendations, but we are hopeful that we will have that fully underway before the end of the calendar year.*

1.2 *MSPD agrees that its caseload protocol could be improved and that it will continue to be an ongoing process of revision and improvement over time. Plans are underway to utilize the same approach as that utilized by the NCSC to determine jurisdiction-specific case weights for public defenders in New Mexico, Maryland, and Virginia. Those studies consisted of:*

- (1) A 4-6 week time study to track what is currently being done on cases;*
- (2) A time sufficiency survey of the employees to determine what is currently not being done on cases that should be, due to insufficient time;*
- (3) A gathering together of experienced criminal defense lawyers -- both public defenders and private attorneys -- to identify the average time necessary to effectively complete the various items not now being done because of a lack of time; and,*
- (4) Adding together the time currently being spent on each particular case type and the additional time needed to effectively do the things that are not getting done because of case overload. The end result is a Missouri-specific case weight for each case type.*

*When developing its current protocol, MSPD undertook the first two steps of this process, but chose to incorporate a slightly modified version of the NAC's caseload standards in lieu of completing the last two steps described above. This was because:*

- (1) The Maryland study conducted by the NCSC cost over \$200,000 to complete, and when MSPD contacted them in 2006 about overseeing just the last two steps of the process for us using our time data and time sufficiency survey, their fee was still \$135,000; and,*
- (2) The ABA's Ten Principles of a Public Defense Delivery System, adopted in February 2002, stated, "national caseload standards should in no event be exceeded." Since MSPD's caseloads were*



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*so far in excess of national standards, the decision was made to first work on getting caseload down to that NAC standard; and then undertake the extra steps of determining what is still not being done on cases and how much more time it would take attorneys and staff to get those things done – i.e. developing a Missouri-specific weighted caseload protocol.*

- (3) *While the audit is correct that the national (NAC) standards do not expressly state that they have not already taken into account the non-case-related attorney time such as travel, supervision, support staff, etc. that MSPD's protocol goes on to deduct, MSPD relied upon the ABA's assumption that these things were not encompassed within the NAC standards. That assumption is built into the ABA's Ethical Advisory Opinion No. 06-0441:*

*"Although [National] standards may be considered, they are not the sole factor in determining if a workload is excessive. Such a determination depends not only on the number of cases, but also on such factors as ... the lawyer's nonrepresentational duties."*

*Since this latter qualifier would make no sense if the national standards already encompassed the lawyer's nonrepresentational duties, MSPD did indeed operate under the assumption that the national standards address caseload only, and not a lawyer's total workload, which would vary widely by jurisdiction.*

*Nonetheless, MSPD agrees that the recommended model would be likely to create a more accurate caseload protocol, and as soon as we have a statistically significant period of new time-tracking data compiled, we will proceed accordingly. MSPD also agrees that time-tracking will allow us to more accurately determine the time needed for adequate supervision within each office than the current estimate of 1.5 hours per week per employee utilized in the protocol.*

*It is worth noting, however, that the total number of attorney hours per year available for case work under MSPD's current protocol aligns fairly closely with the findings of both the NCSC's 2005 Maryland study and a similar 2008 study conducted by the University of Nebraska Public Policy Center of the Lancaster County Public Defender, which has tracked time for 20 years. In the latter study, the number of attorney hours per year available for case work came out to be 1,575 as compared to MSPD's average across all offices, after travel and supervisory hours are deducted, of 1,536 hours per year. The Maryland Public Defender study, conducted by the NCSC, wound up with an average of 1,375 hours per attorney per year available for case work, as compared to Missouri's range of 1,363 in the offices with the most travel time to 1,635 in those with the least.*



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*The question then is what MSPD should do in the interim, until the recommended revisions to the protocol can be finalized and implemented. In deciding that, MSPD has considered both the above comparisons of available attorney case hours and the affidavit of Professor Norman Lefstein, the nation's leading expert on indigent defense caseload issues, who reviewed our existing caseload protocol and MSPD attorney caseloads in State ex rel Missouri Public Defender Commission v. Waters. While agreeing with the auditor's recommendation that MSPD should develop Missouri-specific case weights in lieu of relying on the NAC, Professor Lefstein also found unequivocally that MSPD's lawyers were handling excessive caseloads. He further indicated his assessment that under our existing protocol, MSPD lawyers would continue to take on more cases than they should or would under a protocol developed using the NCSC model.*

*MSPD has also considered the testimony and affidavits of those outside of MSPD doing criminal defense work in Missouri, to wit: 1) the testimony of Christa Hogan of the Springfield Metropolitan Bar Association at the Special Master's hearing in State ex rel Missouri Public Defender Commission v. Waters, that most of the lawyers who took on probation revocation cases during that organization's year-long pro bono initiative to assist the Springfield Public Defender office reported spending an average of 5-6 hours per case, which is consistent with MSPD's modification of the NAC standards in assigning 5 hours to probation revocation cases under the existing protocol; and 2) the affidavits of then President of the Missouri Association of Criminal Defense Lawyers, Travis Noble, and Sean O'Brien, Director the Public Interest Law Clinic at UMKC, both of whom reviewed the assigned hours per case type under Missouri's current protocol and concluded that the times allotted, while a little low, were nonetheless reasonable.*

*While MSPD does not want its lawyers handling more cases than they ethically should be and wants to move as expeditiously as possible to correct that possibility within our current protocol, MSPD leadership is comfortable, given the above assessments and confirmations, that its existing protocol does not create a risk of us turning away more cases than is necessary. As a result, for the interim, until the revisions identified through the new study can be fully developed and implemented, MSPD leadership believes that the most responsible course is to continue utilizing the existing protocol in order to provide what caseload relief it can bring while we continue to work on improving the protocol as recommended.*

*Case Counts: MSPD agrees that it would be ideal to have a single standard utilized by all prosecuting attorneys in their filing of charges so that we do not have the situation of ten counts arising*





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*out of a single incident filed as ten separate cases in one jurisdiction and as a single case in another. However, that is a decision controlled by Missouri's prosecuting attorneys and not by MSPD, therefore it is not one that MSPD can unilaterally resolve. The caseload protocol is tied to MSPD's Case Management System. We do not have someone individually assigning case weights to 84,000+ cases per year and could not. It must be automated and it must utilize the existing cases in the caseload management system. Each of those cases must match the cause numbers assigned by the court to the charging documents filed by the prosecuting attorney in order to generate pleadings, download electronic discovery, accurately post payments, etc.*

*It is also important to recognize that, just as there is an argument that extra weight is being given to those cases that are charged separately, it is also likely that insufficient weight is being given to those cases with multiple counts all charged together. Currently, in situations where 10 or 15 counts are charged under a single cause number, MSPD's protocol counts the case weight of only the single most serious charge for that entire case, even though most lawyers would argue that a case with that many counts will be significantly more work than a case with only one count. MSPD will explore ways to address both of these concerns in future protocol revisions and will continue to support any efforts to improve consistency in charging practices across the state.*

- 1.3 *MSPD agrees that support staff hours should also be time-tracked and is implementing this expectation for all staff. Having attorneys copying court files and police reports is not an effective use of attorney time. Beyond that, there are many tasks currently being performed by MSPD attorneys that paralegals or legal assistants could perform much more cost-effectively, freeing up attorney time to focus on those tasks that only attorneys can do. MSPD has consistently requested additional support staff to correct this imbalance and will continue to do so. The new time-tracking data that will be obtained as both support staff and attorneys begin tracking their time will help MSPD better support this critical request.*

## 2. Indigence Determinations

The MSPD has not established adequate policies and procedures for determining defendant indigence to ensure public defender services are provided to only eligible applicants. Indigence determinations for opened (accepted) cases often lacked sufficient documentation of applicant financial status and MSPD indigence decisions; and as a result, it was difficult to determine the reasons defendants were deemed indigent.



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State law and MSPD policy establish responsibilities and criteria to be considered when MSPD district staff determine defendant indigence. State law provides that any applicant determined ineligible for services by the MSPD may appeal the determination to the court and the court shall determine whether to appoint the MSPD to represent the defendant.

Our review noted in some other states, indigence determinations are performed by independent parties, such as courts rather than public defender offices. A 2005 review of MSPD operations by a criminal justice consultant noted the use of public defenders to perform indigence determinations for their own clients creates an appearance of a conflict of interest.

We reviewed MSPD indigence determination policies and tested 68 cases opened by 27 MSPD Trial Division offices during the 2 years ended June 30, 2010. In addition, we reviewed 60 applications for MSPD services that were denied by 14 MSPD Trial Division offices during June and July 2010. We also analyzed indigence determination information recorded in the Case Management System during the 3 years ended June 30, 2010.

### 2.1 Policies and procedures

The MSPD lacks sufficient policies and procedures for determining defendant indigence.

#### Indigence criteria and training

Indigence policies identify various criteria and instruct employees to consider all criteria when determining defendant indigence. However, the policies provide very few thresholds, weights, or other guidance for evaluating the criteria to identify ineligible financial situations. The only specific dollar threshold identified in the policies as an indicator of indigence is gross income less than or equal to federal poverty guidelines. In addition, staff have not received sufficient training regarding indigence determinations. The most recent system-wide training on indigence determinations was held in 2007 for District Defenders and upper management. District offices are responsible for training staff who perform indigence determinations. Because policies lack sufficient guidance and staff training is inconsistent, the indigence determination process is very subjective.

Prior to January 2007, indigence determination policies contained additional thresholds for certain eligibility criteria including bond amount, home equity, other asset values, and the amount of cash on hand for certain defendants. Previous policies included limits for each criteria for an applicant to be considered indigent. For example, previous policies indicated applicants who posted a bond of \$5,000 or more were presumed to be not indigent. An MSPD official told us the limits were removed to encourage employees to consider all criteria in the indigence determinations rather than focusing on only one or a few criteria. However, MSPD officials acknowledged disparity between indigence determination practices continues to exist.



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Verification of application  
data

Our review of indigence criteria used by five other state public defender offices identified at least two other states which have established more detailed criteria, thresholds, and/or guidance for determining indigence than that used by the MSPD.

The MSPD does not have procedures to ensure the accuracy and completeness of data reported on indigence applications. Office policies do not require documentation or other verification of information to substantiate applicant reported data such as income, bank balances, and other assets.

None of the 125 applications we reviewed contained documentation supporting whether application data had been verified. Our comparison of Department of Labor and Industrial Relations, Division of Employment Security (DES) wage data to indigence applications for 66 opened cases identified 2 cases where the defendant understated income on their application. For one case, the defendant reported income from only one job; however, DES records showed he also worked at another job during the quarters before, during, and after the date he applied for public defender services. For the other case, the defendant reported he had no job; however, DES data showed he had two jobs before and during the quarter he applied for services and one job in the following quarter. For both cases, the defendants' income exceeded federal poverty guidelines during the quarter they applied for services.

Section 600.086, RSMo, authorizes the MSPD to access public and private records necessary to perform indigence determinations. This section also provides that any person who intentionally falsifies information in order to obtain public defender services shall be guilty of a class A misdemeanor. Our review of indigence procedures of five other state public defender offices identified at least two states which require applicants to submit documentation supporting the information reported on their application. While verification of applicant data would require some additional staff resources, these resources would likely be less costly than the resources needed to represent ineligible individuals.

Supervisory review

There is no supervisory review of defendant indigence determinations. These determinations are made by numerous support staff and attorneys in district offices. One District Defender indicated court requirements for prompt indigence determinations does not provide enough time for supervisory review of the determinations.

Policies and procedures

Without sufficient indigence determination policies and procedures, there is increased risk of 1) inefficient allocation of limited MSPD resources for representation of ineligible individuals and/or 2) failure to provide statutorily required representation to eligible individuals. To achieve consistent indigence decisions, the MSPD should modify policies and



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procedures to provide clear guidance and specific instructions for evaluating established financial criteria. In addition, policies and procedures should define when supporting documentation from applicants and verification of applicant financial status with external sources is necessary. Further, policies and procedures should require supervisory review of indigence determinations and provide for training of MSPD staff performing the determinations.

## 2.2 Documentation of indigence determinations

Eleven of 68 opened cases reviewed lacked sufficient documentation supporting the indigence determination. Overall, it was difficult to determine how applicants were determined indigent because applications were either not prepared, lacked significant financial information, and/or lacked documentation of the reasons MSPD staff concluded the applicants were indigent. While documentation was generally maintained to support denied applications reviewed, numerous opened cases lacked such documentation.

- Applications for public defender services were not prepared for three cases. For one case, the MSPD did not require an existing client prepare a new application for services related to a second case; and as a result, the client was deemed indigent based on an application over a year old. MSPD officials indicated new applications are not always required for existing clients; however, formal criteria for these situations have not been established. The District Defender from the applicable office indicated that under his current office practice, a new application should have been prepared for this case. For two cases, District Defenders indicated applications were not completed because the MSPD was appointed by the court to represent juveniles. One District Defender indicated the court generally appoints the MSPD to represent juveniles, therefore applications are not completed. The other District Defender indicated the court appointed the MSPD before an application could be completed.
- Applications lacked significant income data for four cases, making it unclear whether applicant income was considered in the indigence determination. Three applications indicated the applicant or the applicant's spouse was employed or received Veteran's Administration benefits; however, the amount of income or benefits was not documented. For one of these applications, the District Defender indicated the spouse's income was not considered because the spouse was estranged and hostile toward the applicant; however, this justification was not documented. For the fourth application, the total income of a parent of a juvenile could not be readily determined from information included in the application.
- Application information did not support the indigence determination for four cases. For three of these cases, income and family size data



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reported on the applications exceeded federal poverty guidelines. MSPD officials provided various reasons these applicants were determined indigent despite reporting income in excess of poverty guidelines; however, documentation of these reasons was not maintained. For another case, the district office denied the application, but ultimately accepted the applicant when they learned another district office had recently represented the applicant.

- Although application forms contain a section for MSPD employees to document the indigence decision and any related comments, most applications for opened cases contained no explanatory comments, and this section was not completed for four applications reviewed. Most denied application forms reviewed and/or information contained in the Case Management System included documentation of the reasons the applicants were determined not indigent and denied services. The Case Management System requires such documentation for denied applications, but not for accepted applications.

Section 600.086, RSMo, and 18 CSR 10-3.010, require that all individuals claiming indigence must complete an application and MSPD Indigence Determination Policy, Section 10-30-10-1, requires a juvenile application be filed for each juvenile case. The policies require applicant gross pay and other sources of income, including spouse and parent income in certain cases, be considered in the indigence determination. To demonstrate compliance with indigence policies, the MSPD should ensure applications contain complete information and indigence determinations contain adequate documentation of the basis for the determination.

### 2.3 Monitoring

MSPD management is unable to monitor indigence determinations and court appointments on a state-wide basis because sufficient information is frequently not entered in the Case Management System.

Of 60 denied applications reviewed, the MSPD did not enter 18 in the system. Our analysis of system data identified at least five district offices which entered only a few denied applications in the system during fiscal year 2010. District Defenders from these offices indicated staff were not aware denied applications should be recorded in the system. While the Case Management System requires MSPD employees to enter application information when opening a case, there is no system control to ensure denied applications are entered.

In addition, while the MSPD identifies cases appointed by the court in the Case Management System, the reasons for the court appointments, such as denied applications appealed to the court and overruled or other reasons determined by the court, are not tracked in the system and these reasons are not always documented in the case files. For two of the four opened cases reviewed where the MSPD denied the application and the court overruled



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that decision, the reasons the court overruled the MSPD decision were not documented. Also, the juvenile cases noted above contained no documentation supporting the court appointment. MSPD Indigence Determination Policy, Section 10-30-10-1, provides it is not within the court's authority to make direct appointment of the MSPD, absent an application and MSPD's consideration of the defendant's eligibility and that the MSPD should aggressively pursue legal course of action when courts misuse public defender services in a manner contrary to the law, legislative intent, and MSPD policy. According to Case Management System data, approximately 5 percent of cases opened during the years ended June 30, 2010, 2009, and 2008, were appointed by the courts.

The Case Management Manual, Chapter 1, Titles 180 and 183, requires MSPD employees to record in the system each application, whether the application was approved or denied, and the denial reason, if applicable. Without ensuring all denied applications are entered in the Case Management System, MSPD management cannot review and monitor acceptance, denial, and court appointment rates and trends by district and/or employee and identify potential areas in need of improvement. Without documenting or tracking the reasons or other data regarding the court appointments, the MSPD lacks the information it needs to determine the extent courts are appointing the MSPD to cases without appropriate indigence determinations and identify courts which may be inappropriately appointing cases to the MSPD. Due to the subjectivity of indigence determinations and court appointment decisions, procedures should be established to monitor indigence determinations and court appointments for consistency and compliance with MSPD policies and state law.

These conditions were noted in previous audits of the MSPD.

## Recommendations

The MSPD:

- 2.1 Modify policies and procedures to provide clear guidance and training for performing indigence determinations. Policies should address verification of applicant financial status and data, and provide for supervisory review of indigence determinations.
- 2.2 Ensure applications containing complete and clear information are received from all individuals claiming indigence and indigence determinations contain adequate documentation of the basis for the determination.
- 2.3 Ensure all denied applications are entered into the Case Management System, require the reasons for court appointments be entered into the system, and establish procedures to monitor indigence determinations and court appointments on a state-wide basis.



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## Auditee's Response

2.1 *For the most part, MSPD agrees with this recommendation, but believes an even more foundational step is necessary first: a re-examination of the indigence guidelines themselves. This issue was discussed by the Public Defender Commission at their October 1, 2010 meeting, but then-Director Marty Robinson recommended and the Commission agreed that no changes to the guidelines should be made at that time because Director Robinson had requested an audit in anticipation of his retirement the following February and both believed there might be recommendations coming out of the audit that should be included in any changes to the CSR. Now that the audit is complete, this will be moving forward.*

*The bright line bond amount as an automatic disqualifier was eliminated due to changes in bonding practices. As bondsmen began taking often minimal monthly payments in return for posting large surety bonds, bond amounts that, in times past, would have been a fairly reliable indicator of a defendant's resources, no longer necessarily meant that. Instead more questions had to be asked to determine the significance of any bond made, so the application was revised and the bright line was removed from the CSR and as a factor in indigence determinations. Under current guidelines, the posting of bond is but one factor to be considered along with all circumstances of the case and charge in the determination of indigence.*

*It is the belief of MSPD's leadership that much of the inconsistency in the application of the current indigence guidelines is due to the disconnect between what qualifies as indigent under the guidelines and what is actually necessary in the real world for someone to retain private counsel. Currently, indigence for purposes of qualifying for a Missouri public defender is tied to federal poverty guidelines, a lower income threshold than is even required to qualify for food stamps or many other basic survival assistance programs. As a result, when reviewing applications for services, some public defenders apply their own understanding of what the market will bear in a particular jurisdiction given the complexity of the case, instead of strictly complying with the federal poverty guidelines threshold and turning away applicants they know will be unable to retain counsel and will eventually become public defender clients, usually by direct appointment by the court. At the same time, those offices that strictly hold to the federal poverty guidelines standard tend to see more of those findings overruled by judges.*

*MSPD will be addressing this issue as follows:*

- (1) Research and revise the indigence guidelines, tying them to a standard relevant to the ability to hire private counsel;*



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- (2) *Seek to coordinate indigence determinations with the courts who are increasingly requiring defendants to complete financial forms for use in determining ability to pay various fees, fines, and costs;*
- (3) *Explore options for undertaking independent verification of applicant data and financial information, including the possibility of live access to the data of other state agencies with income and indigence information of relevance;*
- (4) *Conduct a pilot test in several offices to determine the time involved in verification of financial data on the public defender applications, as well as the impact on the courts of any delays it causes, and the percentage of cases in which relevant information is uncovered that changes the indigence determination.*
- (5) *Develop and conduct system training for those responsible for intake on the new guidelines, procedures and expectations.*
- (6) *Require supervisors and the newly created internal auditor position to periodically monitor a number of randomly selected indigence applications, much as the auditor did here, to identify problems so they can be addressed. (MSPD reorganized upper management with the advent of the new Director in March of 2011 and among those changes was a shuffle in the responsibilities of the Comptroller to include that of internal auditor.)*

*MSPD does have serious concerns about the workload impact of requiring independent data verification in each of our 84,000+ cases, given existing staff shortages and the turnaround time involved in obtaining such verification, which will cause some problematic delays in the processing of cases through the courts. This is especially true since the audit discovered unreported income in only 3 percent of the cases checked. However, we will give it a try as a pilot project in several offices, and monitor both the time impact and the results, then make a determination whether it is cost-effective to continue or if other approaches need to be explored instead.*

*MSPD does support moving the responsibility for indigence determinations out of the State Public Defender System entirely, and placing it, as it is in most other systems around the country, with the judiciary, but until such time as that might occur, MSPD will address the recommendations herein as outlined above.*

- 2.2 *MSPD agrees. Many applications are completed by confined defendants and mailed or faxed by jail personnel to the office. Those who are confined often don't know or have access to all of the information required on the application and others have various disabilities that make completion of the form problematic –*





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*illiteracy, mental health issues, etc. What should happen when incomplete applications are received is that someone from the district office contacts the defendant to obtain the rest of the information necessary to complete the application. Staff shortages, lack of telephone access to confined defendants, the distances involved in traveling to the jails in other counties, and time pressures to get a decision on representation to the court, all contribute to a tendency to make a determination based on the information provided. MSPD will explore ways to address these challenges as part of its broader revamping of indigence guidelines and procedures.*

- 2.3 *The entry of denied applications into the Case Management System is a matter of training and can be rectified fairly easily, and, as stated in MAR finding number 2.1, MSPD will begin requiring supervisors and the newly created internal auditor position to periodically monitor a number of randomly selected indigence applications, much as the auditor did, and to identify problems so they can be addressed.*

*Entering the reasons the court chose to appoint a public defender is more problematic as the court doesn't issue findings of fact or otherwise state its reasons for appointment in those cases in which it appoints MSPD. We generally simply receive an order of appointment and therefore the fact of appointment is all that can realistically be recorded.*

### 3. Liens and Promissory Notes

The MSPD needs to improve procedures related to filing liens and preparing promissory notes. Although defendants are informed of their financial responsibilities when they apply for MSPD services, the MSPD does not always properly charge applicable costs to defendants. During the 3 years ended June 30, 2010, the MSPD filed or prepared approximately 153,500 liens and promissory notes totaling approximately \$27 million. Total liens and promissory notes were 26 percent of MSPD expenditures during this period.

Provisions in Chapter 600, RSMo, require (1) the MSPD to file a lien with the circuit court for the reasonable value of services rendered to each defendant, (2) the defendant to reimburse the MSPD for some or all of the services when the defendant becomes financially able to do so, (3) the lien amount be established in accordance with a schedule of charges prepared by the Public Defender Commission, and (4) the court rule on whether all or any part of the lien shall be allowed.

The MSPD Recoupment Policy, Sections 50-50-10-0 and 50-50-10-20, requires MSPD attorneys to file a lien for every case where the court routinely grants them. In the event the court does not routinely grant liens,



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the policy instructs attorneys to prepare a promissory note. The policy requires that liens and promissory note amounts be in accordance with the fee schedule. Liens filed and promissory notes prepared are to be recorded in the Case Management System and uploaded to the Lien and Recoupment System which tracks collection activities.

We tested 66 closed cases for which representation was provided by MSPD attorneys in 27 Trial Division offices during the 2 years ended June 30, 2010. We tested lien amounts for 10 other closed cases in which the MSPD paid additional litigation expenses during the 3 years ended June 30, 2010. We also analyzed lien and promissory note information recorded in the Case Management System for Trial Division cases closed during the 3 years ended June 30, 2010.

### 3.1 Liens not filed

The MSPD did not file liens or prepare promissory notes in many cases. Sufficient guidance and staff training regarding liens and promissory notes have not been established. Attorney and district lien and promissory note procedures are inconsistent. Improvement in the monitoring of lien and promissory note activity is needed. In addition, the practice of filing liens when multiple cases relate to one incident is inconsistent with other MSPD case practices.

Trial Division recoupment reports prepared by the MSPD indicated liens were filed or promissory notes prepared for 73 percent, 70 percent, and 64 percent of Trial Division closed cases for which MSPD attorneys provided representation during fiscal years 2010, 2009, and 2008, respectively.

MSPD attorneys did not file liens or prepare promissory notes for 19 of 66 cases tested:

- For 11 cases, the defendant was represented on multiple cases associated with one incident and a lien was filed for only one case associated with the incident.
- For four cases, liens were not filed or promissory notes prepared because the MSPD provided minimal representation before the case was dismissed, the defendant hired private counsel, or the defendant represented him/herself. Case documentation indicates the MSPD provided at least some services on these cases; however, no liens were filed although the fee schedule provides for fees for early dispositions. We noted similar cases where the MSPD provided minimal services and filed liens.
- For two cases, MSPD officials indicated the attorney failed to file a lien as required. For another case, MSPD officials indicated a lien was not filed since the defendant was deported outside the country. For another case, the court waived MSPD fees.



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For each closed case, MSPD personnel are required to record the lien or promissory note action and amount in the Case Management System. Two codes are used to document that a lien was not filed or promissory note prepared: code 5 is recorded when a lien is filed in another case, and code 6 (no action - discretion) is recorded for all other reasons a lien is not filed.

Liens filed in another case

Our analysis of Case Management System data showed liens were not filed because a lien was filed in another case (code 5) for at least 33,000 (15 percent) Trial Division cases closed during the 3 years ended June 30, 2010. MSPD Memo to Recoupment Policy, Section 50-50-10-0, provides that one lien or promissory note may be sought when multiple cases or counts relate to one incident, but the policy does not provide guidance for determining the fee amount for these incidents (whether fees should be charged for each case, for only one case, etc.). Several MSPD officials in district offices indicated the general practice is to file a lien in accordance with the fee schedule for the defendant's primary case, and not charge a fee for any other cases (companion cases) related to the incident. One District Defender we interviewed explained this practice is followed because attorneys typically represent defendants on all cases related to an incident concurrently and resolution of the primary case often resolves the companion case(s) with minimal additional costs. However, the MSPD has not analyzed or determined the costs associated with representing defendants on multiple cases to evaluate the propriety of this practice. In addition, this practice is not consistent with MSPD caseload protocol which counts all cases, even multiple cases related to one incident, when calculating attorney workload; nor is it consistent with MSPD practice of compensating contract attorneys at a rate of one-half the established fee for companion cases.

We noted instances where liens were filed for more than one associated case. Our analysis of Trial Division lien data by district noted the percentage of liens not filed for this reason ranged from approximately 2 percent in one district to 39 percent in another district. The District Defender from the district with the lowest percentage of liens not filed for this reason indicated he requires a lien be filed for every closed case unless liens are generally denied by the court.

No action - discretion

Based on the average lien/promissory note of \$181, we estimated liens or promissory notes totaling approximately \$1.5 million were not filed or prepared for approximately 8,200 closed cases that were coded as no action - discretion during fiscal year 2010. According to system data, the percentage of Trial Division closed cases coded as no action - discretion was 11 percent, 15 percent, and 22 percent during fiscal years 2010, 2009, and 2008, respectively.

In addition, although the Case Management System contains a field for MSPD personnel to explain why liens were not filed or promissory notes prepared, our scan noted system data often lacked sufficient explanations.



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Reasons frequently documented in the system included "n/a," "no lien filed," "discretion," or no reason was documented.

MSPD officials indicated efforts have been made in recent years to more closely monitor MSPD attorney compliance with the recoupment policy, and the use of the no action - discretion code. Summary reports of closed case lien and promissory note actions by district are prepared from the Case Management System and distributed to district defenders and directors annually; however, because the system lacks sufficient explanatory information regarding cases coded as no action - discretion, MSPD management is unable to properly monitor lien actions.

Contract attorney cases

Contract attorneys frequently fail to file liens and/or submit copies of liens filed to the MSPD. Any liens filed by contract attorneys but not submitted to the MSPD are not recorded in the Lien and Recoupment System and subject to MSPD collection procedures.

Controls and procedures

Section 600.090.2, RSMo, provides that the MSPD charge defendants the "reasonable value of the services rendered." To comply with this statute the MSPD should (1) analyze the costs of representing defendants on multiple cases related to one incident, cases requiring minimal MSPD representation, and other types of cases for which liens and promissory notes are generally not filed or prepared, (2) develop clear and detailed guidance to assist staff and contract attorneys when establishing and determining lien amounts, (3) provide appropriate training related to newly developed guidance, and (4) improve procedures to document and monitor closed cases for lien and promissory note decisions.

### 3.2 Insufficient lien amounts

The amount of liens filed and promissory notes prepared were often incorrect and the MSPD has not established sufficient guidance for using the fee schedule to establish lien amounts. MSPD personnel indicated attorneys use their discretion when determining lien amounts; however, guidance for using the fee schedule and establishing lien amounts has not been established. Such guidance is necessary to ensure sufficient recovery of MSPD costs and equitable assessment of fees to all defendants. In addition, to ensure lien amounts are reasonable, documentation should be maintained to support any instances where the lien amounts vary from the established fee schedule.

For 9 of 47 liens and promissory notes reviewed, amounts differed from the fee schedule. One lien and one promissory note were based on an outdated fee schedule and seven liens did not correspond with the case disposition. For each of the seven cases, the early disposition or lesser fee was charged, although the case was disposed of through trial, hearing, or plea. For most of these cases, MSPD personnel provided various reasons for charging lower lien amounts, such as insufficient defendant resources and/or less than average attorney time spent on the case; however, these reasons were not documented in the case files.



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Liens and promissory note amounts for 3,382 of 9,731 (35 percent) C and D felony cases (other than drug or sex violations) disposed of through guilty pleas during the year ended June 30, 2010, were lower than required by the fee schedule. Based on Case Management System data for these cases, we estimated lien or promissory amounts should have been at least an additional \$726,000 for these cases.

In addition, litigation expenses (costs of expert witnesses, depositions, transcripts, and investigations) were not included in lien and promissory amounts for 7 of 10 cases reviewed which contained such expenses. These additional state-paid expenses ranged from \$202 to \$1,142 per case. The MSPD lien schedule provides for the inclusion of other identifiable case-related expenses in lien amounts; however, attorney practices regarding these expenses vary. While some District Defenders told us litigation expenses are not routinely added to lien amounts, one District Defender indicated he requires the expenses be added to each lien. During the 3 years ended June 30, 2010, the MSPD spent approximately \$8.8 million for litigation expenses (primarily payments to professional consultants) related to approximately 6,000 cases, or 2 percent of MSPD's caseload during that period.

### 3.3 Fee schedule

The MSPD could locate no documentation supporting the basis for the original lien and promissory note fee schedule or subsequent updates. The schedule was adopted in the 1980s and is periodically updated, with the most recent updates in May 2003 and June 2009. An MSPD official indicated fees were last increased in July 2009 to account for inflation since the last revision.

According to MSPD officials, the fee schedule is not based on actual case costs. However, Section 600.090, RSMo, provides that the MSPD prepare a schedule of charges for public defender services, and liens should set forth the services rendered and a claim for the reasonable value of those services. Our comparison of the lien fee schedule to the contract attorney fee schedule noted lien amounts are significantly lower than the amounts paid to contract attorneys for corresponding case types. For example, for C and D felony cases not involving drug or sex crimes, the lien fee schedule requires a lien amount of \$65 for cases resolved by early disposition or \$375 for cases resolved by plea/hearing, while the contract attorney fee schedule provides for a payment of \$750 for these disposition types. The MSPD has not performed a recent time study; and as a result, the MSPD has not gathered the information necessary to determine costs by case and disposition type.

Without analyzing MSPD costs, the MSPD cannot ensure lien and promissory amounts are reasonable and appropriately cover costs. The MSPD should analyze the costs associated with the various types and



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dispositions of cases and revise the fee schedule if necessary. Such analysis and revisions should be periodically performed and documented.

Similar conditions were noted in previous audits of the MSPD.

## Recommendations

The MSPD:

- 3.1 Establish procedures to ensure liens are filed in accordance with statutory requirements.
- 3.2 Develop guidance and staff training for establishing lien amounts, and require documentation to support any instances where lien amounts vary from the established fee schedule.
- 3.3 Analyze the costs associated with the various types and dispositions of cases and revise the fee schedule if necessary. Such analysis and revisions should be periodically performed and documented.

## Auditee's Response

- 3.1 *This is also a project already underway. In April 2012, the Director appointed a leadership committee to undertake an in-depth review of MSPD's lien procedures, including their consistency/inconsistency with our statutory obligations. A preliminary report of the issues discovered was made to the Public Defender Commission at their June 15, 2012, meeting and additional information requested. MSPD leadership is in the process of researching practices regarding public defender fees in other jurisdictions around the country, as well as in national studies and publications on the topic, to inform us of best practices as we move forward to finalize MSPD procedures.*

*MSPD agrees that the "No Action – Discretion" lien option continues to prove problematic and options for addressing that have been part of the above discussion, even though efforts in recent years to reduce its usage have been somewhat successful, as noted by the audit's finding that it has dropped from an average of 22 percent in fiscal year 2008 down to 11 percent in fiscal year 2010. MSPD also agrees that lien policies involving a single client with multiple cases need to be coordinated with policies regarding multiple case clients in the areas of contracting and case weights so that these situations are being treated consistently in all settings. Differences have arisen because the former two categories are wholly within the discretion and control of MSPD, while the latter is, as discussed earlier, tied to prosecutorial charging practices by virtue of our Case Management System's dependence on cause numbers. Nonetheless, we will explore ways to address those inconsistencies.*



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- 3.2 *Since one of the factors under re-evaluation by the Public Defender Commission is the lien amounts currently in use, compliance with this audit finding will need to wait until that decision is finalized, but once the Commission has finalized any changes to the lien amounts and the revamping of MSPD's lien and recoupment procedures has been completed, guidelines will be developed and training for staff in the new expectations will be conducted.*
- 3.3 *MSPD does analyze costs per case every year, as noted in the Resources section of the Background discussion of this audit, but we have not traditionally tracked costs by disposition type. Doing so will require some changes in what we require attorneys to record in our electronic Case Management System, but it can be done.*

*However, the Public Defender Commission has never sought to impose the full cost of services on indigent defendants precisely because they are indigent, and doing so would violate the intent of Gideon v. Wainwright. Section 600.090.1, RSMo, requires a defendant's 'ability to pay without substantial hardship' be factored into the costs lodged against an indigent defendant, and the United States Supreme Court, in Fuller v. Oregon, found that Oregon's recoupment statute was constitutional only because: "[d]efendants with no likelihood of having the means to repay are not put under even a conditional obligation to do so, and those upon whom a conditional obligation is imposed are not subjected to collection procedures until their indigency has ended and no 'manifest hardship' will result."*

*While an individualized determination in each case of ability to pay would be the ideal, the fee schedule has historically been designed to provide for a reasonable level of reimbursement that the majority of indigent defendants could repay in installment payments without substantial hardship. An informal survey of other public defender systems around the country [Florida, Ohio, Arkansas, Tennessee, Indiana, Louisiana, South Carolina, California, Maryland, Minnesota, and Kentucky] on the question of fees charged, conducted earlier this year as part of our own internal re-examination of lien and recoupment policies, showed that MSPD's existing fee schedule is significantly higher than the fees charged in any of those other states, with only one state (Virginia) imposing fees comparable to Missouri's. Most ranged from a flat fee of \$50 - 150. Those that charged based upon case type and/or manner of disposition fell in the ranges of \$25 - \$275 for a misdemeanor and \$100 - \$350 for felonies. Most do not charge anything if the defendant is acquitted or the case is dismissed (which MSPD currently does) and most all include the ability to waive, in whole or in part, based on a determination of the defendant's ability to pay.*



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*In fact, the Minnesota Supreme Court apparently ruled in 2004 that their public defender fee was unconstitutional because it did not allow for a case-by-case waiver for indigent defendants.*

*A 2010 study conducted by the Brennan Center for Justice, **Criminal Justice Debt: A Barrier to Reentry**, makes a strong case that piling debt on poor people brought into the criminal justice system is an extremely counter-productive public policy that actually increases recidivism. As the overseers of a department of state government integral to the state's criminal justice system, the Public Defender Commission tries to consider all of these factors in the ultimate determination of what are reasonable public defender fees to assess on indigent clients.*

## Auditor's Comment

- 3.3 State law requires the MSPD to file a lien for the reasonable value of services provided to each defendant, and the defendant to reimburse the MSPD for all or some of these services when he or she becomes financially able to do so. If the MSPD does not believe the state law is good public policy, the MSPD should work with the General Assembly to effect such changes to state law.

## 4. Collection Procedures

MSPD lien collection procedures need improvement. Some circuit courts do not provide adequate assistance in the collection process because they frequently deny liens and/or exclude liens from collection procedures. The MSPD does not appropriately monitor circuit court collection efforts or work with the courts to ensure collection efforts include amounts due the MSPD.

The MSPD uses various methods to collect lien and promissory note amounts. Each lien is filed in the circuit court which disposed the case and the court rules whether all or part of the lien should be allowed. Once approved, the lien may or may not be subject to court collection procedures. For those courts which do not routinely approve liens, MSPD attorneys are instructed to prepare promissory notes, which are not subject to court collection procedures. Recoupment actions during the 3 years ended June 30, 2010, consisted of 90 percent liens and 10 percent promissory notes. The MSPD participates in state tax and lottery intercept programs whereby an individual's tax refund or lottery winnings are intercepted to offset his or her unpaid lien or promissory note. Collections from defendants totaled approximately \$5.2 million during the 3 years ended June 30, 2010. During this time period, approximately 66 percent, 27 percent, 6 percent, and 1 percent of payments were from tax intercepts, court collections, direct defendant payments, and lottery intercepts, respectively.

While lien and promissory note collection rates are relatively low, collections can be received many years after liens are filed or promissory notes prepared. MSPD collects approximately 25 percent of liens and





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promissory notes within 10 years of filing. According to MSPD reports, unpaid liens and promissory notes totaled approximately \$70.1 million as of June 30, 2010.

Section 600.090, RSMo, provides that all amounts collected can be used by the MSPD for attorney and staff training, expert witness fees, deposition costs, witness travel expenses, change of venue expenses, and other expenses authorized by the Public Defender Commission.

#### 4.1 Liens denied by courts and promissory notes

Some courts frequently deny liens filed. MSPD data shows approximately 9,200 (7 percent) liens filed during the 3 years ended June 30, 2010, were denied by courts. MSPD officials indicated liens are denied for various reasons, such as the defendant's existing debt level and/or defendant prison sentences.

For the 3 years ended June 30, 2010, the Kansas City Trial Division office had the highest lien denial rate of 38 percent. According to district officials, several judges in that district deny liens for most cases and some judges deny liens for certain types of cases, such as child support cases and when the defendant has been sent to prison. This district prepared no promissory notes during this period. We estimated the MSPD was unable to attempt to collect liens totaling approximately \$280,000 for the 1,566 Kansas City Trial Division office cases in which liens were denied in fiscal year 2010.

When liens are denied by courts, the MSPD is unable to recover costs associated with services provided. While state law requires courts to rule on whether all or part of each lien shall be allowed, judges and courts which routinely deny liens may not be following the intent of the law which provides for the recovery of costs associated with representing cases. An MSPD official indicated the MSPD plans to meet with certain judges in the future to discuss lien approval procedures. The MSPD should work with judges and courts which routinely deny liens in an effort to ensure liens are appropriately considered and ensure promissory notes are prepared for those cases handled by judges and courts which continue to routinely deny liens.

#### 4.2 Circuit court collections

Some circuit courts do not attempt to collect MSPD liens, and the MSPD does not monitor court collection efforts or encourage the courts to collect liens. Our discussions with the MSPD, Office of State Courts Administrator (OSCA) personnel, and court officials noted some courts do not include MSPD liens in amounts subject to court collection procedures. These procedures generally include payment plans, collection agencies, and/or conditions of probation. According to an MSPD report of liens collected by courts during fiscal year 2010, no liens were collected by 47 (41 percent) of the 115 circuit courts.

The failure of circuit courts to include liens in collection procedures hinders the ability of the MSPD to recover costs associated with representing



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defendants. Procedures should be established to monitor circuit court lien collection rates and work with those courts which are not collecting liens.

#### 4.3 Additional collection methods

The MSPD should consider additional methods for collecting lien and promissory note amounts.

Currently, the MSPD collects payments on liens and promissory notes through tax and lottery intercepts, collections by some courts, and direct payments from defendants. Other collection methods may be available, but have not been considered or evaluated by the MSPD. For example, the Department of Corrections intercepts monies held in inmate accounts to offset certain inmate obligations such as child support and board bills. The MSPD has not considered whether these intercepts are a feasible collection option for defendants sentenced to a state correctional facility. In addition, we noted at least one other state public defender office that uses garnishments as a means to collect amounts due from defendants for public defender services.

An MSPD official indicated additional MSPD collection efforts may not be cost beneficial because former MSPD clients generally have little or no income for several years after their case is closed. However, without formally evaluating various collection methods and related costs, the MSPD cannot demonstrate all cost-effective methods are used to maximize collection of lien and promissory note amounts due.

### Recommendations

The MSPD:

- 4.1 Work with judges and circuit courts which routinely deny liens in an effort to ensure liens are appropriately considered by courts. The MSPD should ensure promissory notes are prepared for those cases handled by judges and courts which continue to routinely deny liens.
- 4.2 Monitor circuit court lien collection rates and work with the those courts which are not collecting liens in an effort to increase lien collections.
- 4.3 Evaluate additional methods for collecting lien and promissory note amounts due and pursue legislation authorizing additional collection methods, if necessary.

### Auditee's Response

- 4.1 *As noted in the audit, MSPD already has plans underway to reach out to the judges in the one remaining circuit who routinely deny liens to determine their reasons and attempt to address them. MSPD will also be analyzing the role and legality of promissory notes in lieu of liens under the current statutory scheme as it moves forward with the larger evaluation and revamping of MSPD's lien and*



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*recoupment system. While the promissory notes are certainly simpler than the liens and do avoid the problem of judges who routinely deny liens, they are not specifically authorized in the statutes governing MSPD and that does raise some concern. MSPD has in recent years proposed some legislation that would have eliminated the lien requirement in favor of promissory notes across the board, but was unsuccessful in that effort.*

4.2 *MSPD has been attempting to determine the overall cost-effectiveness of court collections of public defender fees due to the number of logistical challenges involved, and will continue to work with this issue. Our leadership met with our counterparts in the OSCA in April 2012, to discuss some of these issues and all agree it is a more complex situation than simply encouraging them to increase their collection efforts. One of the problems is duplication of collection efforts which not infrequently results in duplicate collections: MSPD intercepts a payment through the state's debt offset fund and the court clerk also collects payment of the lien directly from the individual; a judgment has been satisfied, but MSPD's two fiscal clerks haven't yet gotten the final payment posted and so the court clerks are exacting yet another payment from the defendant who thought he had paid it off, but is now being told otherwise. The staff time involved in sorting out these duplications and getting the overpayment refunded is a drain on both MSPD staff and the court clerks time, not to mention hugely problematic to the individual living at or below the poverty line who has been twice-dunned. Court clerks are short-staffed in their own right and maintaining accurate paperwork for public defender fees is not high on their priority list. As a result, we often wind up getting payments without the necessary documentation for us to know what case it should be posted to; and the time involved in tracking it down is more expensive (in terms of staff time) than the \$12 or so payment that was received. For this reason, MSPD has in the past actually asked some courts NOT to collect liens, simply because the cost in staff time sorting out the issues it created was perceived as being greater than the value of the payments received. The move to time-tracking will allow us to determine if that perception is in fact an accurate one. In short, it is a complicated question. MSPD and OSCA have begun working on finding the best solutions and will certainly continue to do so.*

4.3 *MSPD is open to exploring cost-effective ways to improve collections from those who can afford to repay us, though the emphasis has to be on 'cost-effective' given the relatively small amounts at issue in each single case -- an average of \$181 per lien / promissory note as noted earlier in the report -- and "ability to pay." An example of this would be if MSPD is successful in*



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*obtaining access to state employment databases for purposes of data verification of indigence, we could also explore the possibility of identifying former clients reporting incomes above a level that would make additional collection efforts appear to be worthwhile.*

*However, the majority of our clients were, are, and are likely to remain indigent, since few people come out of the criminal justice system financially better off or more employable than they were going in; and for all of the reasons set out in the Brennan Center report described above, it is MSPD's opinion that aggressive collection efforts applied to indigent individuals are counterproductive to the overriding public policy goal of successful re-entry of defendants back into society -- the performance standard against which all of the criminal justice system ought to be evaluated.*

*If the only amount defendants had to repay was the small public defender fee under discussion here, it might be a different equation, but that is not at all the case. The number of fees piled on to each defendant going through the criminal justice system continues to grow and is reaching proportions that would be a struggle for even working, middle class citizens to repay without losing everything: jail board fees for pretrial incarceration that can run to thousands of dollars, hundreds of dollars more in court costs, restitution costs, prosecutor collection fees, law enforcement resource fees, probation and parole supervision fees, drug testing fees, mandatory treatment fees, extended payment plan fees . . . and public defender fees. The list is astronomical, with each of those separate fee stakeholders going after one very small pie with even more limited employment options. The effect is that the convicted felon who is already hugely disadvantaged in finding work is being hounded for amounts of money he can only dream of ever making. It doesn't take long for him to realize 'the straight life' is never going to get him ahead and that going back to selling drugs on the street corner is the only real option available for obtaining and keeping enough money to support himself and his family.*

*This is not good public policy and it is something that all agencies and departments involved in criminal justice need to be taking a long look at. We in state government have to look at the whole picture and adopt policies and procedures that will further, rather than harm, the overriding goal of reducing recidivism.*

*In upholding the Oregon statute imposing public defender fees, the U.S. Supreme Court in *Fuller v. Oregon*, deemed it constitutional only because it was "carefully designed to insure that only those who actually become capable of repaying the State will ever be*



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*obliged to do so. Those who remain indigent or for whom repayment would work 'manifest hardship' are forever exempt from any obligation to repay." (Fuller v. Oregon, 417 U.S. 40 (1974), at 53)*

*MSPD has begun conversations about and hopes to pursue legislation that would address these issues by creating a single statewide entity charged with tracking and collecting all criminal justice debt so defendants will have one place to go to determine all that is owed and make payment arrangements based upon a realistic and individual assessment of actual ability to pay, instead of the myriad overlapping piecemeal collection efforts we currently have going on by so many different criminal justice entities that most defendants can't begin to keep up with what is owed to whom.*

## Auditor's Comment

- 4.3 State law requires the MSPD to file a lien for the reasonable value of services provided to each defendant, and the defendant to reimburse the MSPD for all or some of these services when he or she becomes financially able to do so. If the MSPD does not believe the state law is good public policy, the MSPD should work with the General Assembly to effect such changes to state law.

## 5. Conflict Cases

Policies and procedures regarding documentation and assignment of conflict cases are in need of improvement.

Conflict cases are those in which the attorneys or staff of the assigned district office have a conflict of interest in representing a defendant. Under the MSPD Guidelines for Representation Policy, Section 10-10-20-60, and Supreme Court Rule of Professional Conduct 4, an attorney cannot provide representation in cases that present a conflict of interest. Conflicts primarily arise on MSPD cases when the 1) MSPD represents co-defendants facing charges from the same incident and one or both defendants may offer evidence detrimental to the other's case, and 2) a defendant the MSPD previously represented becomes a witness or victim in an MSPD case.

MSPD policy memos provide that when a conflict exists for an attorney, the conflict exists for the entire district office. These cases are designated as "first level" conflict cases. Most conflict cases are first level conflict cases and are transferred to a neighboring district office (conflict office). When an attorney in the conflict office also has a conflict with the case (a "second level" conflict), the case is contracted to a private attorney. Conflict cases are approved by the District Defender of the originating office. During the 3 years ended June 30, 2010, the MSPD had approximately 10,700 conflict cases, excluding Capital Division conflict cases, or approximately 4 percent of MSPD caseload during that period. Approximately 83 percent of these conflict cases were transferred to the designated conflict office, and approximately 17 percent were contracted to private attorneys.



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## 5.1 Documentation

The MSPD does not always adequately document conflict cases.

We reviewed documentation for 17 conflict cases from 14 district offices during the period November 2008 to June 2010. Documentation supporting the nature of the conflict and identifying the corresponding conflict case was not sufficient for two of these cases. For one of these cases, a second level conflict case contracted to a private attorney, documentation indicated the conflict involved another client represented by the MSPD and a conflict also existed with the designated conflict office. However, identification of the other client and the reasons for conflict in the conflict office were not documented. For the other case, a first level conflict case transferred to the designated conflict office, documentation indicated the conflict was with a "confidential informant" who the MSPD previously represented, but did not identify the informant or case.

MSPD procedures require attorneys to document information supporting conflicts of interest on conflict forms within the conflict and contract system. These forms contain fields to document a statement of conflict and the case and/or individual for which the conflict exists. Without sufficient documentation supporting conflicts of interest, the MSPD is unable to demonstrate conflicts exist and justify the need to transfer cases to another district office or contract attorney. Such documentation is also necessary for MSPD officials when approving conflict cases and authorizing additional costs associated with conflict cases.

## 5.2 Conflict case assignments

MSPD policy which requires automatic transfer of conflict cases to another district office or contract attorney may unnecessarily cause inefficient use of MSPD resources. When conflict cases are transferred to another district office, the MSPD often incurs additional costs associated with travel to represent these cases. Additionally, contracting conflict cases to private attorneys results in additional costs for attorney fees. These transfers/contracts are generally made without considering more cost-effective options such as assigning the conflict case to another attorney within the district office and screening (isolating) the attorney from participation in matters related to the conflict.

Each district office has one or more attorney(s) whose primary responsibility is to represent conflict cases transferred from other district offices. Because attorneys representing conflict cases must travel outside their own district to represent these cases, they generally spend more time traveling and incur more travel costs than an attorney from the originating district office would spend/incur. This additional travel results in less attorney time available to represent cases and increased travel expenses. One attorney, whose caseload consisted of nearly all conflict cases, received mileage reimbursements totaling approximately \$12,900 during fiscal year 2010.



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MSPD Memos to the Guidelines for Representation Policy, Section 10-10-20-60, effective December 2010, provide that when an attorney has a conflict with a witness or a victim, that conflict exists for the entire office. Furthermore, in 2010 MSPD directors orally informed District Defenders to routinely treat all cases involving co-defendants as if a conflict of interest exists, and transfer those conflict cases for disposition. MSPD officials indicated these policies/directives were established because they determined the ethical and practical problems created by co-defendant representation by the same office had become an unacceptable risk for the MSPD.

Supreme Court Rule of Professional Conduct 4-1.7, generally prohibits a lawyer from representing a defendant if 1) the representation involves a conflict of interest whereby representation of one defendant will be directly adverse to another defendant or 2) representation of one defendant will be limited by the lawyer's responsibilities to another defendant or third person. The MSPD should reevaluate its current policy and directives which require automatic transfer of conflict cases to other district offices or contract attorneys and analyze more cost-effective alternatives. The MSPD should consider adopting criteria to determine the most appropriate and cost-effective assignment of each conflict case. The nature of each conflict should be evaluated to determine whether the case can be assigned within the office and the appropriate attorney screened from participation in matters related to the conflict. If ethical screening is not possible or practical, the MSPD should evaluate additional criteria when determining whether the case should be transferred to the designated district office or contracted to a private attorney. Such criteria should include the type of case, expected disposition, location of the defendant and court, and current caseload of the conflict office.

## Recommendations

The MSPD:

- 5.1 Ensure adequate documentation supporting conflict cases is maintained.
- 5.2 Reevaluate conflict of interest policies and adopt criteria to determine the most appropriate and cost-effective assignment of each conflict case.

## Auditee's Response

- 5.1 *MSPD agrees that documentation supporting the conflict should be maintained and will educate its attorneys on the availability of a secure section in the conflict database where confidential information can be recorded that will not be forwarded to or accessible by the receiving office.*
- 5.2 *MSPD did not adopt its policy of automatically conflicting out co-defendant cases lightly, nor is it unaware of the burden this policy places upon offices and attorneys who must travel to adjoining*



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*counties to handle the number of corresponding conflicts coming into their offices. However, the policy was vetted by the entire MSPD management team and then re-evaluated by all District Defenders across the state at a defender management meeting after it had been in place for a time to determine if those on the ground, carrying that burden, believed it was still the best policy. They overwhelmingly did. It is the cleanest way possible to handle conflict cases. Any time there are co-defendants in a criminal case, there is a possibility of one of them making a deal to testify against the other. That possibility cannot even be broached by an attorney who represents them both because it would be adverse to the interests of the other co-defendant who is also the attorney's client. Co-defendants frequently do not realize their interests are different until the matter has been fully explored and explained to them by an attorney, but when both are represented by the same attorney, that exploration is never performed and the explanation of other options is never forthcoming, setting up exactly the type of conflict envisioned in Supreme Court Rule of Professional Conduct 4-1.7, cited in the audit.*

*MSPD does not believe that these kinds of conflicts could ethically be addressed by assigning the two co-defendants to two separate lawyers within the same office and attempting to screen them from one another. Supreme Court Rule 4-1.10, Imputation of Conflicts of Interest, states:*

*"While lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rules 4-1.7 [Conflict of Interest: Current Clients] or 4-1.9 [Duties to Former Clients] unless the prohibition is based on a personal interest of the prohibited lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm."*

*In the commentary to the above rule, it states:*

*"Such situations can be considered from the premise that a firm of lawyers is essentially one lawyer for purposes of the rules governing loyalty to the client or from the premise that each lawyer is vicariously bound by the obligation of loyalty owed by each lawyer with whom the lawyer is associated."*

*MSPD does agree that it would generally be more cost-effective to contract these conflict cases out to a private attorney located in the same venue as the cases themselves, rather than assigning them to another trial office one or even several counties away. At this point, MSPD lacks sufficient contract funds to do so. For the last several*





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*years, MSPD has requested additional contract funds from the legislature for this purpose. Some increases in contracting funds have resulted, but not yet enough to contract out all first level contracts. MSPD will continue to pursue this goal.*

## 6. Contract Attorneys

The MSPD does not adequately monitor or adequately document the selection process of contract attorneys.

The MSPD contracts with private attorneys to provide representation for certain cases, primarily second level conflict and caseload relief cases. Contract attorneys are paid based on a fee schedule, with amounts ranging from \$375 for a probation violation or misdemeanor case to \$10,000 for a first degree murder case. The fee schedule provides for additional compensation for cases resolved by trial. According to an MSPD official, the fee schedule amounts are generally based upon an hourly rate of \$75 and the number of attorney hours needed per case type per MSPD caseload protocol. Additionally, contract attorneys are reimbursed certain travel expenses. Any litigation expenses (costs of expert witnesses, depositions, transcripts, investigations) are not included in the contract attorney fee, but are paid directly to the vendor by the MSPD.

During the 3 years ended June 30, 2010, almost 5,000 cases were contracted to private attorneys, representing approximately 2 percent of MSPD caseload during that period. Contract attorneys were paid approximately \$1.5 million, \$1.4 million, and \$1.8 million, during fiscal years 2010, 2009, and 2008, respectively. In fiscal year 2010, payments ranging from \$162 to \$58,650, excluding travel cost reimbursements, were made to almost 200 private firms.

### 6.1 Monitoring procedures

The MSPD does not track or monitor dispositions of cases handled by contract attorneys, including liens filed for costs of services rendered to defendants. MSPD records, as of March 2011, contained no disposition or lien information for approximately 3,600 (72 percent) of the approximately 5,000 cases contracted to private attorneys during the 3 years ended June 30, 2010. We reviewed 190 of these cases on Case.net, Missouri Judiciary's portal of public case information, noting at least 116 cases had been disposed as of June 13, 2011 (public information was not available on Case.net for 60 of these cases). Case.net contained lien information totaling approximately \$14,800 for only 36 of the 116 disposed cases. MSPD officials indicated MSPD records lacked disposition and lien information because contract attorneys often fail to report this information to the MSPD.

MSPD engagement letters require contract attorneys to file a lien upon case disposition, submit a copy of the lien to the MSPD, and inform the MSPD of the case disposition or outcome. The MSPD transfer attorney enters information received into the conflict and contract system which is subsequently uploaded to the Lien and Recoupment system. Without



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ensuring disposition and lien information is received from contract attorneys and entered into the conflict and contract system, there is less assurance MSPD systems contain complete and accurate information, and engagement letter terms and compliance with MSPD collection procedures cannot be monitored.

## 6.2 Selection process

The MSPD did not maintain adequate documentation of the selection of contract attorneys. Of seven contracts reviewed, no documentation of the selection process was maintained for six contracts. For the remaining contract, MSPD officials located an email sent to several private attorneys; however, additional documentation of the selection process, including responses received and reasons for selecting the contract attorney, was not maintained. Although MSPD Contract Case Procedures Policy 50-60-10-5, outlines procedures for selecting contract attorneys, alternative procedures have been followed in recent years and the policy has not been updated.

MSPD officials indicated they often have difficulty locating private attorneys willing to provide representation at the MSPD established fees. As a result, various processes for selecting contract attorneys have been used during recent years. During fiscal years 2008 and 2009, when the MSPD received increased appropriations to contract with private attorneys for caseload relief, the MSPD solicited private attorneys through Missouri Bar publications. Multiple-case contracts were awarded to interested attorneys in the districts in need of caseload relief. An official indicated the MSPD generally contracted with all interested attorneys as the need exceeded the interest. Beginning in 2010, private attorneys were generally solicited by sending an email to previous contract attorneys in applicable districts, and selecting the first attorney to respond to the email. Additionally, some private attorneys were selected to represent certain cases without conducting a selection process because MSPD officials believed they were the most qualified attorneys in the applicable area. In August 2011, the MSPD contracted with five regional contract coordinators to select and monitor contract attorneys in their area. Under this new process, regional coordinators solicit private attorneys for inclusion on a panel of attorneys available to represent cases in each district and assign cases to panel attorneys on a rotating basis.

Adequate documentation of contract attorney selection processes is necessary to demonstrate sufficient procedures were performed and support decisions made. Such documentation should include a list of attorneys solicited for services, responses received, and the reasons the attorney was selected. Since contract attorney selection procedures have been assigned to regional coordinators, procedures should be established to ensure the coordinators maintain adequate documentation. The policy regarding contract attorney selection should be revised to reflect these procedures.



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## Recommendations

The MSPD:

- 6.1 Establish procedures to track and monitor dispositions of cases handled by contract attorneys. Such procedures should ensure contract attorneys fulfill engagement terms including filing liens.
- 6.2 Establish procedures to ensure adequate documentation supporting the selection of contract attorneys is maintained, and update the contract attorney selection policy as needed.

## Auditee's Response

- 6.1 *This has already been changed, as part of the revamping of MSPD's contracting system in 2011. A case disposition form is now required from each contract attorney at the close of a case, along with a copy of the signed lien form. Final disbursement of expense costs is not made until these items are received. Additionally, each month contracting staff checks contracted cases older than 6 months against Case.net to verify they have not yet been disposed. If the case does turn out to have been closed, the panel attorney is contacted to get the case disposition and lien forms. Those who repeatedly fail to submit these items are removed from the Panel Attorney list.*
- 6.2 *MSPD has changed the way it selects contract counsel since the period of this audit (fiscal years 2008-2010). We now have a list of panel attorneys who have applied to take certain types of cases within a particular circuit, who go on a rotation list. Using our contract attorney database, a regional contract coordinator seeking counsel for a case will select the county in which the case is located and pull up a list of attorneys residing in that county who have agreed to take that particular type of case. The database automatically tracks who has received cases and rotates the list so that the first name on the list is the next one 'up' in the rotation. That attorney will normally receive the case assignment. There are exceptions – e.g. where the case is especially complex and requires a particular expertise, the contract coordinator may skip over the next attorney 'up' and select one with the needed expertise. Where the usual rotation is not followed, we are instituting the expectation that contract coordinators document their reasons for making an alternate selection.*

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## 7. Professional Consultants

The MSPD needs to strengthen procedures for selecting and monitoring professional consultants to ensure payments to consultants are reasonable.

The MSPD engages various professional consultants for the defense of some cases. These consultants provide various services including recording of depositions, mental health evaluations, and forensic testing. During the 3 years ended June 30, 2010, the MSPD made payments to professional



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consultants in over 6,000 cases. Expenditures for these services totaled approximately \$2.4 million, \$2.6 million, and \$2.3 million during the years ended June 30, 2010, 2009, and 2008, respectively.

## 7.1 Selection procedures

MSPD attorneys did not always solicit bids or use state contracts for court reporting services or maintain documentation supporting the selection of other professional consultants.

### Court reporters

Bids were not always obtained or state contracts used for court reporting services when the vendor was paid in excess of \$1,000 during the applicable fiscal year. Annual payments per vendor ranged from less than \$100 to \$127,000 during the 3 years ended June 30, 2010.

Our review of seven court reporter engagements totaling \$29,359, noted no documentation of the selection process was maintained for five engagements. For three of these engagements where there was a state contract in the applicable area, the MSPD paid the vendors in excess of state contract rates as noted below:

- For one engagement, the MSPD paid a vendor \$1,558 during May and June 2010 for four deposition transcripts. The MSPD paid the vendor \$4.25 and \$5.75 per page which exceeded the \$3.50 state contract rate in the applicable area. An MSPD official indicated the higher \$5.75 rate was paid for one transcript because the transcript was needed on an expedited basis; however, this reason was not documented.
- For two other engagements, vendors were paid \$4.25 to \$5.90 per page for normal deliveries and \$5.50 per page for expedited deliveries. The applicable state contract rate was \$3.50 per page for normal deliveries and \$4.90 per page for expedited deliveries. The District Defender in the office which represented one of these cases provided us copies of January 2008 email communications with another District Defender regarding the need to negotiate lower rates with the existing vendor and/or use the state contract vendor. Although we noted reductions in the rates charged by the vendor subsequent to those emails, the lower rates still exceeded the state contract rates.

MSPD officials stated court reporters are generally selected based on location, availability, rates, and previous work experience with the MSPD. They also indicated vendors sometimes offer the MSPD discounted rates which are lower than state contract rates. The state contract for court reporting services, effective May 2009 to April 2012, included 7 vendors covering 41 counties and the city of St. Louis. The state contract rate for transcripts of deposition with normal delivery ranged from \$3.25 to \$3.60 per page. Previously, the state contract included 4 vendors and covered 34 counties and the city of St. Louis.



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MSPD Purchasing Policy, Section 50-40-20-50, requires items or services costing more than \$1,000 be bid or state contracts used. When soliciting bids, the policy requires that three potential vendors be contacted, bids be obtained and documented, and the reasons for selecting a particular vendor be documented. Competitive bidding and/or use of state contracts helps ensure the MSPD receives fair value by contracting with the lowest and best bidders and also ensures all interested parties are given an equal opportunity to participate in state business. If other than the lowest bid or state contract is selected, the reasons should be adequately documented.

### Experts

The MSPD did not always prepare and retain documentation supporting the selection of various experts, such as expert witnesses and other litigation consultants. We reviewed 16 expert engagements with payments totaling \$180,416. For 10 of the 16 engagements reviewed, MSPD did not maintain documentation of the selection process, such as the method/criteria used, other experts considered, and the reasons for selecting a particular expert. Payments for these 10 engagements totaled \$94,229, ranging from \$1,000 to \$19,725 per expert.

MSPD policies and procedures do not require attorneys to maintain documentation supporting the selection of experts. The MSPD should revise the Professional Expense Request form to contain a field for attorneys to document the selection of experts, including method/criteria used, other experts considered, and the reasons for selecting a particular expert.

### 7.2 Monitoring procedures

The MSPD lacks sufficient procedures to monitor payments to professional consultants. Agreed-upon payment terms were not always adequately documented in expert retention letters and/or encumbrance requests. As a result, contractor payments could not be properly monitored. In addition, the expert database lacks sufficient data needed to ensure payments to professional service consultants are reasonable.

Based on past experience with professional consultants, MSPD attorneys negotiate rates and determine a maximum payment amount for each engagement. This amount, along with other engagement information including the type of service, expert name, specialty, any previous service on the case, and reason for the services, is to be documented on an encumbrance request form in the Case Management System. The encumbrance request form is reviewed and approved by the District Defender, and encumbrance requests for litigation expenses exceeding \$500 are also approved by the Division Director. Once approved, the attorney is to prepare and submit a retention letter to the consultant outlining the terms of the agreement and the maximum payment amount. MSPD Professional Expense Request Policy, Section 50-20-20-20, provides that professional consultants cannot begin work until the encumbrance request is approved, and payments to consultants cannot exceed the encumbrance amount without additional approval. A supplemental encumbrance request may be



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prepared and approved when it is determined actual expenditures will exceed the original encumbrance amount. Professional consultant invoices are reviewed and approved by the attorney and District Defender and processed for payment by support staff in the MSPD central office. Our review of expert retention letters, encumbrance requests, and the expert database, noted the following:

- An expert retention letter was not prepared for 1 of 16 expert engagements reviewed. MSPD Case Management Policy, Chapter 1, Title 271, requires an expert retention letter be used each time an attorney contracts with an expert or other vendor, except court reporters. An expert retention letter template is available on the Case Management System. In addition, while expert retention letters were prepared for 15 engagements reviewed; a new or revised retention letter was not prepared for 5 of the 9 engagements which exceeded the maximum approved payment amount. Although supplemental encumbrance requests, authorizing additional maximum payment amounts, were prepared for these engagements, the additional maximum payment amounts were not documented in any correspondence to the expert.
- Eight of the 15 expert retention letters prepared did not contain the agreed-upon hourly rate and number of hours the expert would bill for services. The expert retention letter template which requires inclusion of the agreed-upon hourly rate was not used, and the payment requirements included in these letters were generally limited to maximum payment amounts, which ranged from \$1,000 to \$15,000, and travel expense reimbursement rates. In addition, related encumbrance requests, which listed the same maximum payment amounts, lacked the hourly rate and expected number of hours for six of these engagements. These experts were paid from \$125 to \$300 per hour. In March 2008, MSPD directors sent a memo to District Defenders requiring that encumbrance requests include the agreed-upon hourly rates; however, three of the six encumbrance requests lacking this documentation were prepared and approved after this date.
- Deposition request letters were not prepared for any of the seven court reporter engagements reviewed and related encumbrance requests lacked agreed-upon rates. A deposition request letter template for these engagements is available on the Case Management System; however, the letter does not require inclusion of the agreed-upon rates and was not prepared for the engagements reviewed. In addition, MSPD policies and directives do not require that court reporter encumbrance requests include the agreed-upon rates.
- Professional service consultant rates are not recorded and tracked on the MSPD expert database. To assist attorneys in consultant selection, the



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MSPD maintains an expert database containing information regarding nearly 700 professional consultants.

Without preparing and maintaining sufficient documentation supporting professional service engagements and monitoring those engagements, the MSPD cannot ensure all payments to professional service consultants are reasonable and proper. Sufficiently detailed retention letters are necessary to ensure all parties are aware of their duties and to clarify all compensation allowed. Sufficiently detailed encumbrance requests are necessary to provide MSPD supervisors the information needed to review and approve encumbrance requests and ensure consultants are engaged at reasonable rates. The MSPD should develop procedures to ensure retention letters and encumbrance requests which include agreed-upon rates and expected hours are prepared for all professional service consultant engagements and that payments are in accordance with these letters and encumbrances. If payments are not in accordance with the retention letter and encumbrance request, written documentation explaining the differences should be prepared and retained. In addition, the MSPD should consider enhancing the expert database by documenting and tracking professional consultant rates and utilizing this rate information when negotiating rates for engagements.

## Recommendations

The MSPD:

- 7.1 Solicit bids or use state contracts for court reporting services and document the reasons for selecting the vendor. In addition, the MSPD should maintain documentation supporting the selection of other experts.
- 7.2 Ensure retention letters and encumbrance requests, which include agreed-upon rates, are prepared for all professional service consultant engagements and that payments are in accordance with these letters and encumbrances. In addition, the MSPD should consider enhancing the expert database by documenting and tracking professional consultant rates and utilize this information during engagement negotiations.

## Auditee's Response

- 7.1 *Court reporters: MSPD has taken steps to comply with this recommendation. On September 3, 2012, MSPD provided a copy of the state contract for court reporting services to the head of each district office and established the expectation that the rates therein should not be exceeded except in special circumstances (e.g. unavailability of a reporter at that rate or need for an expedited transcript), in which case the details of those circumstances should be documented in a memo to file and attached to the bill when it arrives. The topic was also added to the agenda for a support staff training program scheduled for September 13, 2012, since they are*



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*generally the ones who make the arrangements for the court reporters.*

*Other experts: MSPD will need to explore the most efficient way to do this. Generally, the Division Directors reviewing requests for funds for experts will ask why a particular expert is needed if the cost of that expert exceeds the norm for the type of service being provided, and those are easily recorded in the encumbrance database. However, the request for approval of funds to hire an expert frequently comes before a particular expert is selected because the attorney needs to ensure they can hire an expert before they go contacting one. Once that encumbrance request is approved, the submitting attorney can no longer edit it to provide information about the particular expert that is chosen, so MSPD will need to explore the best way to address this recommendation – whether it should be through a programming change to the encumbrance database or expectations that this be recorded in a memo to the electronic case file or some other manner. We will certainly look into it.*

- 7.2 *MSPD agrees that expert retention letters need to include agreed-upon rates and that payments should not exceed the terms of the agreement. We will explore ways to reinforce that expectation with attorneys. Requiring rates to be recorded in the encumbrance database may prove more problematic due to the reasons stated above. While encumbrance request approvals set a cap on expenditures based on what a particular service typically can be expected to cost, the attorney may not yet have selected a particular expert at the time the request is submitted; and once the encumbrance request is approved, the submitting attorney can no longer edit it. As indicated above, we will look into what changes would be needed to make that workable and determine the best course for implementing the goal of adequate documentation.*

*MSPD agrees that making information available concerning contract rates of various experts for frequently-used services to assist attorneys in their fee negotiations is an excellent idea. We will explore the most efficient way to make that information available, whether that is through the expert database or some other method.*

## 8. Transcripts on Appeal

State law requiring the MSPD pay for transcripts on cases under appeal may result in excessive and unnecessary costs to the state.

Transcripts of court proceedings are normally prepared only when a case is appealed. For appealed cases in which the court determines the defendant is unable to pay for the transcript of the circuit court proceedings, Section 488.2250, RSMo, requires the state (MSPD) to pay the court reporter to





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prepare and make three copies of the transcript. The statute provides that, upon approval by the court, the court reporter, a salaried court employee paid by the state, be paid \$2 per page for the transcript, and 20 cents per page for copies of the transcript. During the years ended June 30, 2010, 2009, and 2008, the MSPD opened approximately 930, 900, and 720 appeals cases, respectively. During this time period, court reporters were paid approximately \$600,000, \$515,000, and \$350,000, respectively, for transcripts on appeal. Approximately 600 court reporters were paid from \$12 to \$18,200 for these services during fiscal year 2010.

We reviewed payments totaling \$9,554 to two court reporters for transcripts on appeal for six cases. For three of these cases, three defendants who had been tried together in the circuit court, appealed their case. The MSPD paid the court reporter \$2,814 for the original transcript and \$3,095 for 11 copies. For the other three cases reviewed, the court reporter was paid \$2,804 for three original transcripts and \$841 for three copies of each transcript.

MSPD officials indicated the original transcript is filed with the appellate court and copies are typically provided to the circuit court, the applicable MSPD appellate attorney, and prosecutor. MSPD officials indicated an electronic copy of the transcript is also typically received and any additional copies are made by MSPD employees. An MSPD official indicated the appellate courts are beginning to accept electronic transcript filings, eliminating the need for the appellate court copy; and that the MSPD could likely make copies of the transcripts at a lower cost than they are required to pay the court reporters.

While Section 600.096, RSMo, requires that any office or political subdivision of the state shall furnish copies of any reports, documents, statements or transcripts prepared by the state or political subdivision concerning a person represented by the MSPD without charge; Section 488.2250, RSMo, appears to conflict with this statute and provides compensation to court reporters, who are employees of the state.

Due to the significant costs associated with transcripts on appealed cases, an evaluation of these costs and the statute that requires the costs appears necessary. Such evaluation should determine the extent the state is paying court reporters in addition to their state salaries and whether these additional payments are reasonable and necessary.

## Recommendation

The MSPD work with the General Assembly to evaluate costs associated with transcripts on appeal and the statute that requires the state incur these costs.

## Auditee's Response

*MSPD has begun this conversation and will continue to work toward a more cost-effective arrangement.*



## 9. Employee Travel Costs

Improvements are needed to ensure employee travel time and costs are minimized.

MSPD employees, primarily attorneys and investigators, travel for court appearances, consultations with defendants, interviews with witnesses, other case activities, and to attend periodic MSPD workshops and training. Employees often make their own travel arrangements and utilize their personal vehicles. Mileage, meals, and certain other travel costs are typically paid by employees and reimbursed by the MSPD on a monthly basis, and lodging costs are typically paid directly to vendors. Travel expenditures (including contract attorney and other professional consultant travel costs estimated at \$100,000 annually) totaled approximately \$1.7 million, \$1.7 million, and \$1.6 million during the years ended June 30, 2010, 2009, and 2008, respectively. Mileage reimbursements, which exceed \$1 million each year, account for most travel costs. These amounts do not include the costs associated with employee time spent traveling.

### 9.1 Travel time

A comprehensive analysis of employee time spent traveling has not been performed to identify ways to reduce travel costs and increase employee productivity.

MSPD attorneys and investigators spend a significant amount of time traveling. Such travel time is expensive and impacts the amount of employee time available to work on cases. While the MSPD tracks employee mileage reimbursements and uses that information to estimate employee travel time for caseload protocol calculations, the MSPD has not analyzed the data to identify inefficiencies and ways to increase productivity. In addition, because MSPD does not require employees to track time worked, the actual time and costs associated with employee travel is unknown (see MAR finding number 1).

#### Travel related to representing cases

According to MSPD records, MSPD staff drove over 2 million miles in fiscal year 2010. Based on mileage data and MSPD caseload protocol assumptions, MSPD Trial and Appellate Division attorneys spent an estimated 8 hours per month traveling. The estimated average travel hours per attorney varies greatly between district offices, ranging from 1 to 25 hours per month per attorney.

Employees in those offices with the largest geographic size and Trial Division employees assigned to conflict cases in other district offices generally spend the most time traveling.

- The geographical size of Trial Division districts ranges from 1 to 11 counties, with 3 to 5 counties being the average. Most Trial Division districts with the lowest estimated attorney travel time cover only 1 large county or city circuit court, while the Trial Division District 43 (Chillicothe) office with an estimated 25 hours of travel time per month



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per attorney covers 11 counties. The location and jurisdiction of each district office is established by the Public Defender Commission. MSPD officials indicated a comprehensive review of district areas has not been performed in recent years, but they evaluate these areas individually as office leases expire. MSPD officials indicated changes to district areas is challenging for various reasons including lease periods which vary by district, the impact on county finances, and relocation of staff.

- Capital Division office employees often spend significant amounts of time traveling because there are only three Capital Division offices (St. Louis, Columbia, and Kansas City); capital cases are not always assigned to the nearest office; and representation on capital cases often takes more than 1 year. We noted 8 of the 39 trial death penalty cases opened by the Capital Division during the 3 years ended June 30, 2010, were not assigned to the nearest Capital Division office. An MSPD official indicated capital cases are not always assigned to the closest Capital Division office due to caseload or conflict issues and attorney experience.
- The three Civil Commitment Defense Unit (CDU) attorneys defend sexually violent predator civil commitment cases statewide. These attorneys, who are located in district offices in Kansas City and St. Louis, travel extensively.
- Approximately 3,000 conflict cases are transferred to another district office each year. Attorneys handling these conflict cases must travel to the originating district, incurring additional costs than had the case been handled by the originating district (see MAR finding number 5).
- MSPD Guidelines for Representation Policy, Section 10-10-20-60, requires trial attorneys to maintain at least monthly contact with each defendant. Often these contacts are by personal visit to defendants held in county jails or state correctional facilities since confidential communications by telephone are generally not available for those defendants. Some of those defendants are held in correctional facilities outside the district because they were relocated by the Department of Corrections. As a result, attorneys sometimes spend significant amounts of time traveling to meet with those defendants.

MSPD officials indicated some courts now allow MSPD to meet with defendants via videoconference; however, they indicated there is some concern regarding the security and confidentiality of information shared in this manner. In addition, they indicated some courts now conduct some hearings via videoconference, reducing costs associated with transporting defendants from correctional facilities to courts. Since MSPD attorneys accompany defendants at all court hearings, the MSPD does not always



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incur a savings and sometimes incurs more travel costs when the correctional facility is farther away than the court.

Travel to monthly meetings

Certain employees are required to travel to monthly MSPD meetings. For example, Division Directors from offices in Kansas City, Columbia, and St. Louis, travel to monthly Director meetings and CDU attorneys travel to monthly unit meetings. MSPD officials indicated they have recently begun exploring alternative methods of conducting certain meetings such as conference calls or videoconferences.

Travel analysis

A comprehensive analysis of employee travel time would help identify inefficiencies and facilitate further analyses of ways to reduce travel costs. Potential means of reducing employee travel time include videoconferences, telephone interviews, and other uses of technology. The MSPD should work with correctional facilities and courts to identify acceptable methods of communication with defendants that do not require extensive MSPD employee travel.

## 9.2 Travel expenditures

Improvement to MSPD travel policies and procedures are needed. Although the MSPD has established meal reimbursement limits which are generally more restrictive than state per diem rates, similar procedures have not been established to minimize other travel costs including mileage and lodging.

Method of travel

Guidelines for determining and using the most cost effective mode of travel have not been established. MSPD staff primarily travel in personal vehicles and receive reimbursements at the rate allowed by the Office of Administration. During the audit period through the present time, mileage reimbursement rates have ranged from 50 cents (fiscal year 2010) to 37 cents (fiscal year 2012) per mile.

Although often a more cost effective mode of travel, MSPD staff seldom use rental vehicles. Our review of expense reimbursements totaling \$27,750 for 18 employees noted at least 8 trips in which employee mileage reimbursements significantly exceeded the cost of renting vehicles. For each of these trips, state contracted rental vehicle vendors had several locations within the city of departure. The extra costs incurred for these 8 trips, not considering other factors such as employee time associated with renting the vehicle, ranged from approximately \$120 to \$300 per trip. For example, a St. Louis Capital Division investigator was reimbursed \$330 for 660 miles traveled on a 1-day trip in October 2009 while the estimated cost of renting a vehicle on state contract was \$130 (a savings of approximately \$200). An MSPD official indicated rental vehicles are not utilized because the MSPD lacks sufficient staff to administer a vehicle rental program and rental vehicle businesses are not always located in cities where MSPD offices are located. However, our review noted state contracted vehicle rental businesses are located in 20 of the 33 cities where MSPD offices are located.



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The statewide vehicular travel policy (SP-12) provides that state "employees must utilize the most cost effective travel option when traveling on state business. All relevant factors such as the: urgency; nature of travel required; type of vehicle required for the number of passengers, tool or equipment load; employee time and effort; official domicile; proximity to rental or state vehicles; and other administrative costs should be considered when selecting the most cost effective travel option." The policy explains that "in most circumstances, state vehicles or rental vehicles are more cost effective than personal mileage reimbursement." Furthermore, the policy provides that "state agencies are expected to establish sufficient controls to ensure travel expenses are minimized to the fullest extent possible." In an effort to reduce travel costs and ensure compliance with statewide policies, guidelines for determining the most cost effective and reasonable mode of travel should be established and followed.

### Lodging

Employees often make lodging reservations without performing price comparisons or other procedures to ensure lodging costs are reasonable. MSPD Travel Reimbursement Policy, Section 50-10-20-27, simply requires employees to ask for the state government rate when making lodging reservations. Lodging costs (including costs incurred by contract attorneys and other professional consultants) totaled approximately \$278,000, \$285,000, and \$238,000 in fiscal years 2010, 2009, and 2008, respectively.

Some lodging costs reviewed exceeded Continental United States (CONUS) rates (federal employee per diem maximums, established by the U.S. General Services Administration). Nine of the 18 employee expense reimbursements reviewed, contained 32 overnight trips (lodging costs were paid directly to vendors for 30 trips and reimbursed to employees for 2 trips). Lodging costs for 11 of the 32 trips exceeded CONUS rates by \$10 to \$39 per night. For example, lodging costs of \$109 were paid for a 1-night trip to Jefferson City, Missouri, in March 2009 while the CONUS rate was \$70. In addition, our review of some lodging invoices related to one case noted lodging rates exceeded CONUS rates for most nights. We reviewed lodging costs totaling \$7,344 incurred by four St. Louis Capital Division employees who traveled to Kansas City during June 2007 to March 2008. Lodging rates varied from \$70 to \$127 per night for one hotel and \$96 to \$189 per night for another hotel, while the CONUS rate was \$96 and \$103 during this time period. The second hotel billed nine different nightly rates on the invoices reviewed. MSPD officials indicated these hotels were selected based on location and size of meeting and work space; however, documentation of these considerations was not maintained.

In cities where multiple hotels or motels are located, lodging can often be procured at rates less than CONUS rates. The statewide travel policy (SP-6) requires that "in areas where comparable accommodations are available at significantly different prices you should seek prior approval before selecting higher priced lodging and document the reasons for selecting the higher priced lodging. Key issues that determine hotel acceptability to the State



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include accountability, transparency, price, safety, convenience, ease of booking and payment, oversight and issue resolution." The policy also provides that CONUS rates should be used as a benchmark when evaluating lodging costs. Procedures which require performing price comparisons and ensuring rates do not exceed CONUS rates are necessary to demonstrate compliance with statewide policies and ensure lodging costs are reasonable. Documentation should be maintained to support any lodging expenses which exceed CONUS rates.

## Recommendations

The MSPD:

- 9.1 Perform a comprehensive analysis of employee travel time and associated costs and work with the courts and correctional facilities to identify ways to reduce travel costs.
- 9.2 Establish guidelines for determining the most cost effective and reasonable mode of travel, and require employees to perform price comparisons and ensure rates do not exceed CONUS rates when making lodging arrangements. Documentation should be maintained to support any expenses which exceed amounts provided by the guidelines and policies.

## Auditee's Response

- 9.1 *A comprehensive analysis of employee travel time will be performed as part of the revisions to the caseload protocol, which includes travel time as a key category; and MSPD will continue to look for ways to reduce travel costs. We have been successful in pursuing the availability of videoconference client communications for the CDU attorneys who have to travel across the state to meet with their clients in Farmington. In addition, the MSPD Director met with the Director of the Department of Corrections last month to discuss, among other things, the increased costs MSPD incurs when public defenders have to travel to a facility for a video plea/proceeding (because the client is entitled to private consultation with counsel during such proceedings and there is not a simultaneous private and public video link available). The Department of Corrections was sympathetic, but unable to offer any additional solutions. MSPD recognizes that many of these travel costs may simply not be changeable, but will continue to engage both the Department of Corrections and the courts in the ongoing exploration of options.*
- 9.2 *MSPD agrees. Systemic attempts to reduce mileage costs were begun last year when, in September 2011, MSPD entered into a contract with rental vehicle vendor to direct-bill employee travel. At that time, the following was added to the policies and procedures database and circulated to all offices:*



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Missouri State Public Defender  
Management Advisory Report - State Auditor's Finding

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*Assuming the average vehicle is able to get about 20 miles per gallon and the cost of gas is \$3.50 – the state break-even mileage is approximately 135 miles in a one day trip or 275 miles in a two day trip. There may be special circumstances where a rental vehicle is appropriate even when the break-even point is not reached. Employees and District Defenders should identify mileage where rental cars may reduce costs.*

*We have seen an increase in the use of rental cars since this change went out, but agree that more could and should be done in this area, taking into account the additional time involved in obtaining and returning rental cars and recognizing that it may not always be feasible for that reason. MSPD will also reinforce the need to comply with CONUS rates where possible and establish expectations requiring the documentation of reasons for expenses incurred in excess of CONUS rates.*

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# Missouri State Public Defender

## Organization and Statistical Information

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The Missouri State Public Defender (MSPD) was created in 1972, under an act of the General Assembly. The MSPD has three legal services divisions: the Trial Division which is responsive to the trial courts in Missouri's 115 jurisdictions, the Capital Division which is responsible for death penalty trial representation, and the Appellate/Post-Conviction Relief (PCR) Division which is responsible for appellate and post-conviction litigation. These divisions are located in 36 district offices, 3 capital sections, and 6 appellate/PCR sections. The capital and appellate/PCR offices are located in Kansas City, Columbia, and St. Louis.

Section 600.042.4, RSMo, requires the MSPD provide legal services to an eligible person:

- (1) Who is detained or charged with a felony, including appeals from a conviction in such a case;
- (2) Who is detained or charged with a misdemeanor which will probably result in confinement in the county jail upon conviction, including appeals from a conviction in such a case;
- (3) Who is detained or charged with a violation of probation or parole;
- (4) Who has been taken into custody pursuant to Section 632.489, RSMo, including appeals from a determination that the person is a sexually violent predator and petitions for release, notwithstanding any provisions of law to the contrary;
- (5) For whom the federal constitution or the state constitution requires the appointment of counsel; and
- (6) For whom, in a case in which he faces a loss or deprivation of liberty, any law of this state requires the appointment of counsel; however, the director and the defenders shall not be required to provide legal services to persons charged with violations of county or municipal ordinances.

The MSPD opened 84,616 new cases during the year ended June 30, 2010.

### History of the MSPD

The Public Defender System was created by authority of Chapter 600, RSMo, enacted by the General Assembly in 1972. The system provided for the establishment of full-time public defender offices in 20 judicial circuits and payment to appointed counsel in the remaining judicial circuits. In 1976, the Public Defender Commission was created to oversee the system. In 1982, the system was again amended with the creation of the MSPD as an independent department of the Judicial Branch of state government. Legislation further outlined the legal services to be provided to eligible persons entitled to counsel, gave the MSPD authority to issue indigence determination guidelines, and provided for the collection of costs associated with defending a person. The MSPD was also allowed to contract with private attorneys to provide defense services in those areas of the state they deemed appropriate, thus eliminating the old system where judges appointed private counsel in those areas of the state where public defenders were not available. By 1987, the MSPD had 23 offices and the remainder of the state was served by contract counsel. In April 1989, the MSPD received funding





## Missouri State Public Defender Organization and Statistical Information

to reorganize the department and establish additional public defender offices to provide representation in all areas of the state.

**Public Defender Commission** The responsibility of the operation and administration of the MSPD is vested in a seven-member Commission. The members, four of whom must be lawyers, are appointed by the Governor with the advice and consent of the Senate, and serve 6-year terms. The members of the Commission as of June 30, 2010, were as follows:

Appointed Members	Term Expires
Eric Barnhart, Chair	December 30, 2011 (1)
Muriel Brison, Vice-chair	December 31, 2009 (1)
Willie Ellis	December 20, 2009 (2)
Miller Leonard	December 30, 2011 (1)
Nancy Watkins	December 30, 2013
Doug Copeland	April 15, 2014

- (1) Continues to serve until a successor is appointed.
- (2) Willie Ellis passed away in March 2012 and this position remains vacant until a successor is appointed.

Note: The remaining Commission member position was vacant at June 30, 2010, and currently remains vacant.

## Staff

The Public Defender Commission appoints a Director, for a term of 4 years, to administer and coordinate the daily operation of the system. Cathy R. Kelly, has served as Director since March 1, 2011, upon the retirement of J. Marty Robinson, who served as Director for 16 years. As of June 30, 2010, the MSPD employed approximately 570 full-time employees.

## American Recovery and Reinvestment Act 2009 (Federal Stimulus)

During the year ended June 30, 2010, the MSPD spent American Recovery and Reinvestment Act of 2009 monies of \$499,890, appropriated from the Federal Budget Stabilization - Medicaid Reimbursement Fund, for costs associated with contract attorneys for caseload relief.

A summary of MSPD financial activity and MSPD Caseload Crisis Protocol are presented in the following appendixes.

## Appendix A

### Missouri State Public Defender

#### Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

#### Legal Defense and Defender Fund

	Year Ended June 30,		
	2010	2009	2008
<b>RECEIPTS</b>			
Public Defender fees	\$ 1,656,318	1,675,705	1,838,378
Interest	4,184	6,357	12,716
Total Receipts	1,660,502	1,682,062	1,851,094
<b>DISBURSEMENTS</b>			
Personal service	112,871	83,343	64,304
Employee fringe benefits	52,766	33,049	29,630
Expense and equipment	1,227,842	1,602,692	1,667,062
Cost allocation plan	20,306	25,189	19,049
Total Disbursements	1,413,785	1,744,273	1,780,045
RECEIPTS OVER (UNDER) DISBURSEMENTS	246,717	(62,211)	71,049
CASH AND INVESTMENTS, JULY 1,	147,280	209,491	138,442
CASH AND INVESTMENTS, JUNE 30,	\$ 393,997	147,280	209,491

Appendix B

Missouri State Public Defender  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2010			2009			2008		
	Appropriation Authority	Expenditures	Lapsed Balances (2)	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>									
Personal Service	\$ 26,712,726	26,712,726	0	26,323,051	26,251,444	71,607	25,345,900	25,345,899	1
Expense and Equipment	4,936,315	4,936,314	1	4,480,262	4,480,114	148	4,088,884	4,088,883	1
Expenses associated with the defense of violent crimes and/or the contracting of criminal representation with entities outside the MSPD	2,558,059	2,558,056	3	3,266,502	3,266,486	16	3,391,502	3,391,500	2
Total General Revenue Fund	34,207,100	34,207,096	4	34,069,815	33,998,044	71,771	32,826,286	32,826,282	4
<b>PUBLIC DEFENDER - FEDERAL AND OTHER FUND</b>									
Grants and contributions from the federal government or from any other source may be deposited in the State Treasury for the use of the MSPD	125,000	0	125,000	125,000	30,906	94,094	125,000	39,000	86,000
Total Public Defender - Federal and Other Fund	125,000	0	125,000	125,000	30,906	94,094	125,000	39,000	86,000
<b>LEGAL DEFENSE AND DEFENDER FUND</b>									
Personal Service	129,507	112,871	16,636	129,507	83,343	46,164	125,735	64,304	61,431
Expense and Equipment	2,850,756	1,227,842	1,622,914	2,850,756	1,602,692	1,248,064	2,850,756	1,667,062	1,183,694
Total Legal Defense and Defender Fund	2,980,263	1,340,713	1,639,550	2,980,263	1,686,035	1,294,228	2,976,491	1,731,366	1,245,125
<b>DEBT OFFSET ESCROW FUND</b>									
Payment of refunds set off against debts (1)	1,350,000	1,110,660	239,340	1,225,000	1,140,587	84,413	1,350,000	1,265,217	84,783
Total Debt Offset Escrow Fund	1,350,000	1,110,660	239,340	1,225,000	1,140,587	84,413	1,350,000	1,265,217	84,783
<b>FEDERAL BUDGET STABILIZATION - MEDICAID REIMBURSEMENT FUND</b>									
Contracting of court representation with entities outside the MSPD	2,000,000	499,890	1,500,110	0	0	0	0	0	0
Total Federal Budget Stabilization - Medicaid Reimbursement Fund	2,000,000	499,890	1,500,110	0	0	0	0	0	0
Total All Funds	\$ 40,662,363	37,158,359	3,504,004	38,400,078	36,855,572	1,544,506	37,277,777	35,861,865	1,415,912

(1) Expenditures from the Debt Offset Escrow Fund are primarily transfers of state tax and lottery intercept program collections to the Legal Defense and Defender Fund.

(2) Explanation of lapsed balances:

Public Defender - Federal and Other Fund and Debt Offset Escrow Fund: Expenditures are limited to grants or public defender fees received; and amounts received were significantly less than amounts appropriated.

Federal Budget Stabilization - Medicaid Reimbursement Fund: This was a new biennial appropriation in fiscal year 2010, of which \$1.5 million was withheld at the Governor's request.

## Appendix C

### Missouri State Public Defender Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Personal service	\$ 26,825,597	26,334,787	25,410,203	24,623,330	22,764,573
Travel, in-state	1,571,963	1,553,255	1,415,262	1,404,903	1,223,672
Travel, out-of-state	35,475	93,512	69,655	86,301	92,031
Fuel and utilities	61,071	54,776	55,171	49,032	50,875
Supplies	451,653	382,802	440,728	399,608	411,784
Professional development	152,904	188,000	238,399	151,250	158,350
Communication services and supplies	420,477	523,440	432,941	476,990	367,607
Professional services	4,538,798	4,622,347	4,557,495	3,704,721	2,891,596
Housekeeping and janitorial services	93,864	93,262	82,546	90,571	72,987
Maintenance and repair services	491,613	527,821	403,565	419,216	382,868
Computer equipment	65,334	160,497	315,455	528,357	196,834
Office equipment	231,645	152,688	247,919	122,793	115,367
Other equipment	0	30,572	8,293	22,846	18,398
Real property rentals and leases	926,184	817,041	688,581	713,265	676,855
Equipment rental and leases	19,350	20,988	27,892	19,431	19,700
Miscellaneous expenses	92,920	107,196	162,905	129,844	165,100
Refunds (1)	1,179,511	1,192,588	1,304,855	1,195,550	1,234,058
Total Expenditures	\$ <u>37,158,359</u>	<u>36,855,572</u>	<u>35,861,865</u>	<u>34,138,008</u>	<u>30,842,655</u>

(1) Primarily includes transfers of funds from the Debt Offset Escrow Fund to the Legal Defense and Defender Fund.

MISSOURI STATE  
PUBLIC DEFENDER COMMISSION

# CASELOAD CRISIS PROTOCOL

Adopted: November 2, 2007  
As amended: April 30, 2010

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## **FACTORS IMPACTING PUBLIC DEFENDER WORKLOAD**

Factors that determine the number of cases in which an attorney can effectively and ethically provide meaningful representation include:

- The severity and complexity of the cases assigned;
- The experience level of the attorney;
- The travel time an attorney is required to spend seeing clients and making court appearances;
- The availability of support staff to assist the attorney; and
- The amount of time spent on required training, administrative, and supervisory tasks.

## NATIONAL CASELOAD STANDARDS

In May of 2006, the American Bar Association issued an ethical advisory opinion warning against ethical violations caused by excessive defender caseloads and highlighting the professional responsibility of both defenders and courts to take steps to avoid such ethical violations. That opinion cited the National Advisory Counsel caseload standards as providing guidance for defenders and courts in determining when public defenders are carrying excessive caseloads. *See, ABA Formal Opinion 06-441: Ethical Obligations of Lawyers Who Represent Indigent Criminal Defendants When Excessive Caseload Interfere with Competent and Diligent Representation*, May 13, 2006.

The National Advisory Counsel of the U.S. Department of Justice Task Force on the Courts developed maximum recommended caseload standards for public defenders in 1972. Those standards have formed the basis for most public defender caseload standards presently in existence around the country. (*See, Compendium of Standards for Indigent Defense System* compiled by the Institute for Law and Justice under a contract with the Bureau of Justice Assistance, December, 2000.) The NAC caseload standards are set out below, rounded to the nearest whole number:

Non-capital Homicides	12 cases per year or 1 new case per month
Felonies	150 cases per year or 12.5 new cases per month
Misdemeanors	400 cases per year or 33 new cases per month
Juvenile Cases	200 cases per year or 17 new cases per month
Appeals	25 cases per year or 2 new cases per month

The NAC standards did not address post-conviction matters, sexually-violent predator commitment cases, or capital cases. They also did not allot any attorney time for supervisory, administrative, or training tasks, account for travel time in rural vs. urban jurisdictions, or consider the availability or lack of support staff as factors in determining the time lawyers would have available to spend preparing their cases.

The ABA recognized this deficiency in its May, 2006 ethical advisory opinion, pointing out, “**Although [National] standards may be considered, they are not the sole factor in determining if a workload is excessive. Such a determination depends not only on the number of cases, but also on such factors as case complexity, the availability of support services, the lawyer’s experience and ability, and the lawyer’s nonrepresentational duties.**” *ABA Formal Opinion 06-441, p 4. [Emphasis added.]*

### MSPD MODIFICATION OF NAC STANDARDS:

The MSPD caseload crisis protocol follows the ABA opinion in using the NAC standard as its foundation, but builds upon it in order to address the omissions described above and the particular circumstances of Missouri Public Defender Offices. These modifications, which are set out below, will be subject to annual review and adjustment as necessary.

### Case Weights = Hours per Case

(1). Measuring case hours, rather than case numbers, allows us to both assign weights to cases and more easily add into the equation attorney hours spent in essential, but non-case-related tasks. The caseload numbers of the NAC standard were therefore converted to hours per case type. The NAC standard assumed a standard 40 hour work week or 2080 attorney hours available over the course of a year. Dividing the total available hours by the maximum number of allowable cases per year, the NAC standard results in the following hours per case type (rounded to the nearest whole number):

Non-capital Homicides	173 hours per case
Felonies	14 hours per case
Misdemeanors	5 hours per case
Juvenile Cases	10 hours per case
Appeals	83 hours per case

(2) The NAC standards do not distinguish between types of felony offenses. However, MSPD's internal workload study did make that distinction. (*See Appendix B re MSPD Internal Workload Study*) Not surprisingly, the results of that study indicated that sex offense cases take significantly more time to prepare and defend than drug and other felony cases under current Missouri law. For that reason, this standard modifies the NAC broad "Felony" offense category by dividing it into subcategories of Sex Offenses and Other Felony Offenses. The MSPD internal workload study showed that MSPD attorneys are currently -- even with existing case overloads -- spending an average of 31 hours per case on sex offense cases, so that number was used in lieu of the 12 hours per case for general felony cases.

Non-capital Homicides	173 hours per case
Sex Offenses	31 hours per case
Other Felony Offenses	14 hours per case
Misdemeanors	5 hours per case
Juvenile Cases	10 hours per case
Appeals	83 hours per case
29.15 Cases	62 hours per case
24.035 Cases	21 hours per case
Probation Violations	5 hours per case

(3) The NAC standards do not address probation violation cases. MSPD deems each of those cases the same as a misdemeanor case for purposes of the protocol, regardless of whether the underlying case was a felony or a misdemeanor.

(4) The NAC standards do not address post-conviction cases. MSPD currently weighs 29.15 motions and appeals as equal to three-fourths of a direct appeal and 24.035 motions and appeals as equal to one-fourth of a direct appeal for purposes of this protocol.

(5) The NAC standards do not address capital or sexually violent predator cases. MSPD limits each of its capital attorneys to no more six open capital cases. This is based upon a Florida study in which attorneys defending death penalty cases in the manner set forth by the ABA death penalty standards tracked their hours per case and determined that an attorney could effectively handle no more than 3 capital cases per year per attorney. Since each of MSPD's capital cases is assigned two attorneys who divide the work on the case between them, MSPD has raised that caseload standard to 6 open capital cases per attorney. Because of the stricter time standards in post-conviction, the caseloads of capital PCR attorneys are kept at around 5 open cases per attorney. Sexually

violent predator caseloads are currently capped at eight open cases per attorney at a time. MSPD usually contracts cases in excess of these limits to private counsel.

#### **Non-Case-Related Work Hours:**

As the ABA Ethical Advisory Opinion recognized, every attorney has non-case-related responsibilities that have to be considered when determining whether an attorney's workload has become untenable. MSPD has adjusted for these by adding each of the following categories into the total workload calculation when determining case overload under this protocol.

- (1) **ANNUAL AND HOLIDAY LEAVE:** MSPD is a state agency and required by state law to permit its employees a set amount of annual and holiday leave each year. While a number of its attorneys work those days of their own volition, MSPD cannot require its attorneys to give up these days and therefore must build them into any determination of how many attorney hours are available to handle the caseload. While hours of annual leave increase with seniority, this protocol utilizes the minimum annual leave accrual of ten hours per month or 120 hours per year. In addition, the State of Missouri recognizes 12 state holidays, which translate into 96 holiday hours per year for a total of 216 hours annual and holiday leave, which must be deducted from the total number of available attorney hours.
- (2) **SICK LEAVE:** MSPD is required to allocate to its employees a set amount of sick leave each month, although this leave may not be used without good cause. When sick leave *is* used by employees – particularly for extended periods of time – it reduces the number of attorney hours available to handle cases. To account for this leave without overestimating its impact, this protocol draws upon the experience of the preceding year in anticipating how much sick leave is likely to be utilized. In 2007, 2.2% of total attorney hours was used for sick leave. That same percentage is therefore subtracted from the available attorney hours for handling caseload.

**NON-CASE-RELATED TASKS:** The practice of law inevitably includes time taken up with non-case-related matters, particularly in offices with a shortage of support staff as is the case in most MSPD offices. These hours include a minimum of 15 hours of continuing legal education each year, time spent waiting in court for cases to be called or at the jail waiting for clients to be produced, and time spent doing primarily administrative tasks such as copying discovery, updating court dates, etc.

- (1) The average amount of time spent by MSPD attorneys on these tasks was determined through the MSPD workload study in which employees were required to track their time, by category of task, in fifteen-minute increments. That study revealed that 13.4 % of total available attorney hours were spent on such non-case-related tasks. Those hours must be deducted from the hours available for handling cases.
- (2) **TRAVEL TIME:** The average amount of attorney time spent in travel varies with the location and coverage area of the office. This is estimated by taking the total number of miles traveled by each office during the preceding year and translating that into travel time using an average of 45 miles per hour -- an average of highway, two-lane and busy, urban roadway travel times.
- (3) **MANAGEMENT / SUPERVISORY TIME:** The amount of time needed for management duties within a district office varies with the size of the office and the number of people supervised. MSPD's experience has shown that effective management and supervision within a district office require an average of 1.5 hours per week of supervisor time per employee supervised. E.g., in an office of 3 attorneys and 2 support staff, the District Defender should expect to spend an average of 7.5 hours per week [5 employees x 6.5 hours] on management and supervisory responsibilities. Because most of MSPD's District and Deputy District Defenders also carry caseloads and are included in the 'available attorney hours' equation, the



time they devote to their management / supervisory tasks is deducted from the total attorney hours available within that district office to handle caseload.

## **CALCULATION OF DISTRICT OFFICE WORKLOAD:**

### **Attorney Hours Available for Case Work:**

For purposes of this protocol, the annual available attorney hours in an office operating within a caseload crisis, is 2340 hours or 45 hours per week per attorney. To determine the number of those hours available for handling cases, deduct the hours used in non-case-related matters as set out above. Averages (rounded to the nearest ½ hour) that apply statewide can be deducted up front, as follows:

2340	ANNUAL AVAILABLE HOURS PER ATTORNEY
-320.5	AVERAGE NON-CASE-RELATED TASKS [13.7% of 2340]
-216	AVERAGE HOLIDAYS & ANNUAL LEAVE
- 51.5	AVERAGE ATTORNEY SICK LEAVE [2.2%]
<u>1752</u>	AVERAGE AVAILABLE HOURS PER ATTORNEY PER YEAR
OR	
438	PER ATTORNEY PER THREE-MONTH INTERVAL

Management and travel time still have to be deducted, but because these vary with the number of employees and geographic size of each district, they must be calculated at the local district level, as follows:

*Management / Supervisory Hours:* To determine the average management / supervisory hours within a given office over a three-month interval utilized in this protocol, multiply the number of employees to be supervised by 19.5 (1.5 hours x 13 weeks). For example, a District Defender who supervised 15 lawyers and 8 support staff, for a total of 23 employees should anticipate 448.5 hours of management time in that three-month interval. [23 x 19.5]. Because all supervision is provided by one or more attorneys serving as the District and/or Deputy District Defender, these hours reduce the available attorney hours to handle cases within that District, as shown in the example below.

*Travel Time:* The average number of attorney miles traveled over a three-month interval is based upon the number of attorney miles traveled in that district during the previous fiscal year. This is divided by 4 to get an average number of miles traveled over a three-month interval. Miles are converted to hours using an average of 45 miles per hour. Assume our sample district traveled 5000 attorney miles last fiscal year. That translates into 1258 miles per three-month interval, which in turn translates into 27.5 attorney hours spent in travel within that district. Those hours are not available for the handling of cases and must be deducted from the district's available attorney hours, as shown in the example below.

### **EXAMPLE:**

6570	Total available attorney hours per three-month interval (438 x 15 lawyers)
- 448.5	Management hours required (15 lawyers + 8 staff = 23 x 19.5)
- 27.5	Average attorney travel hours for district over three-month interval
<u>6094</u>	DISTRICT OFFICE MAXIMUM ALLOWABLE CASELOAD STANDARD

The maximum allowable caseload standard is the maximum number of attorney hours available to handle cases within that district office over a specified interval of not less than one month. In determining if an office exceeds that standard, the director shall compare the number of attorney hours available to handle cases during the specified interval to the average anticipated hours required to handle the assigned caseload, as calculated under this protocol. A district office exceeds the maximum caseload standard when its calculated assigned caseload hours exceed the maximum attorney hours available in the specified interval.

## **Hours Required to Handle Office Caseload**

We determine the number of cases assigned to that office in each category of case type – e.g. how many murders, how many sex cases, how many felony drug cases, etc. during the preceding three-months. The number of cases in each category is then multiplied by the number of hours set forth in the Missouri Modified NAC table above, and then totaled to determine the total number of attorney hours *needed* to handle the caseload assigned to that district for the three-month interval examined.

Note: This protocol calculates attorney hours based upon new cases assigned. It does not count hours being spent now on cases that were assigned four or five months ago that remain open. This is balanced out by counting the total number of hours required to handle each new case assigned as falling entirely within the three-month interval under examination even though, in reality, those hours – like the current open cases -- will be spread over several months to come. The one balances out the other and the result is a reasonably accurate assessment of average actual workload.

## **APPENDIX A**

### **MSPD 2006 WORKLOAD STUDY**

In the fall of 2006, the Missouri State Public Defender System undertook an internal workload study, patterned after public defender workload studies done by the National Center for State Courts and The Spangenberg Group in other state defender organizations. In this study, attorneys and support staff were required to record their time and activities by case type in fifteen-minute increments, as well as the amount of time spent traveling to and from court, time waiting in court for cases to be called, and time spent in training and dealing with administrative and supervisory tasks. Each attorney and support staff member were also required to complete a survey setting forth the various tasks essential to meaningful and ethical defense representation and asking them to indicate the percentage of their cases in which they were able to do each of the those tasks. From this data, the Missouri State Public Defender System was able to determine:

- The amount of time defenders are able to spend on each of the various case types under current caseload conditions;
- The percentage of cases in which tasks considered essential to meaningful representation are not being done because excessive caseload requires attorneys to triage cases and case preparation – which verified that the amount of time recorded was insufficient to provide effective and ethical representation; and,
- The amount of attorney time eaten up by unavoidable non-case-related workload such as driving long distances to and from court or the jail in rural jurisdictions, time spent waiting in court or at the jail, time required for essential management tasks and necessary training, as well as time spent filing and copying, etc. because of a shortage of clerical staff.

It is important to note that this study is still a work in process at this time. Still ongoing is the determination of what is not being done in cases due to case overload that should be done and adding the time necessary to accomplish those additional tasks back into the case hours for each case type.

## **APPENDIX B**

### **CALCULATION OF AVAILABLE ATTORNEY HOURS**

This caseload crisis protocol assumes an average 45 hour attorney work week (2340 hours annually) for the purposes of determining whether a district is sufficiently in crisis to warrant turning cases away. This is to be distinguished from the average 40 hour work week or 2080 annual hours per attorney used to calculate what staffing for each public defender office *should* be. The purpose of the former standard is to identify when an

office is ethically unable to take on more work and so must turn away cases; the goal of the latter is to staff offices sufficiently to avoid reaching this caseload crisis point at all.



**Thomas A. Schweich**  
Missouri State Auditor

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# Mexico 59 School District



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**October 2012**  
**Report No. 2012-128**

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Mexico 59 School District

Segregation of Duties	The accounts receivable clerk at the central office is responsible for receiving, recording, and depositing all receipts and for processing all disbursements, and financial secretaries at each school receive, record, and deposit various monies and submit supporting documentation to the central office without supervisory review. Proper segregation helps ensure all transactions are accounted for properly and assets are adequately safeguarded.
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District Procedures	The district does not adequately monitor fuel purchases or vehicle use, which could result in theft and misuse going undetected. Gallons pumped from the bulk diesel fuel tank are not reconciled to gallons purchased, vehicle mileage logs are not maintained for gasoline vehicles, and 7 of 30 invoices we reviewed for district fuel card purchases did not identify the vehicle being fueled, as required by district policy. Employees are reimbursed for mileage for personal vehicle use when a district vehicle is not available, but the district does not adequately document the purpose of the travel. The district has used the same attorney for at least five years and has used a business consultant since 2009 to help with budget preparation and salary protocols, but it did not conduct competitive selections and has no written agreements for these services.
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In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The district was awarded a total of \$1,326,810 during the audit period, most of which was spent on teacher salaries. More detail is contained in the Organization and Statistical Information section of the audit report.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Mexico 59 School District

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Board of Education  
Mexico 59 School District

The State Auditor conducted an audit of the Mexico 59 School District under authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged Graves & Associates, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2011. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; inspection of capital assets; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Mexico 59 School District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	James M. Applegate, MBA
	Mariam Ahmedbani



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# Mexico 59 School District

## Management Advisory Report

### State Auditor's Findings

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#### **1. Segregation of Duties**

Accounting duties at the central office are not adequately segregated, and supervisory review procedures should be improved. As a result, the risk of loss, theft, or misuse of funds occurring without detection is increased.

The accounts receivable clerk at the central office is responsible for receiving, recording, and depositing all receipts, and for processing all disbursements. Monies received and deposited include property taxes, transportation fees, scholarship donations, tuition payments, and vendor refunds. The business manager, who is responsible for overseeing all district fiscal activities, indicated he does not document any formal reviews of district receipt and deposit records.

In addition, financial secretaries at each school receive, record, and deposit various monies and submit supporting documentation to the central office; however, there are no procedures to require supervisory reviews of the records maintained by the financial secretaries.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory reviews should be performed and documented.

#### **Recommendation**

The School Board adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the accounting records are performed.

#### **Auditee's Response**

*The School Board provided the following written response:*

*The district has instituted a voucher system in which the Accounts Receivable Clerk must fill out a deposit verification form for each receipt of cash and/or checks received by the Central Office. This form is then substantiated and signed by another business office staff member.*

*Administration will institute procedures creating supervisory or independent reviews of cash receipt and depository records regarding financial secretaries.*

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#### **2. District Procedures**

Various district procedures need improvement, including fuel purchases, vehicle use, mileage reimbursements, and professional services contracts.

##### **2.1 Fuel purchases**

##### **1.1 Fuel purchases**

The district does not adequately monitor fuel purchases. The district spent approximately \$101,000 on diesel fuel and \$20,000 on gasoline during the year ended June 30, 2011.

The district maintains a bulk diesel fuel tank for its buses and other district-owned diesel vehicles. A log is maintained for the tank which documents



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Mexico 59 School District  
Management Advisory Report - State Auditor's Findings

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the date, vehicle number, odometer reading, and gallons pumped; however, the district does not compare gallons pumped to gallons purchased. The fuel vendor electronically monitors the level of fuel in the tank and fills the tank as needed. The district's transportation supervisor indicated he does not monitor the amount of fuel purchased or used.

Employees purchase gasoline using district fuel cards at various gasoline stations. District policy requires employees to identify the applicable district vehicle on each gasoline invoice; however, for 7 of 30 (23 percent) gasoline purchases we reviewed, the employee did not identify the vehicle on the gasoline invoice.

Failure to reconcile fuel used to fuel purchased and identify the vehicle for which gasoline is purchased could result in theft and misuse going undetected. Adequate procedures for monitoring fuel purchases are necessary to ensure the reasonableness and propriety of fuel disbursements.

## 2.2 Vehicle use

The district does not adequately monitor vehicle use. The district does not maintain vehicle mileage logs or record odometer readings for gasoline vehicles. While odometer readings are recorded for diesel vehicles as noted in section 2.1, the district does not document total mileage for each vehicle or compare mileage to fuel use. District personnel indicated vehicle use is reviewed for reasonableness, but these reviews are not documented.

Failure to maintain mileage logs or other mileage records could result in misuse going undetected. Mileage logs and comparison of mileage to fuel use are necessary to ensure the reasonableness of vehicle use and to prevent and detect theft and misuse of fuel.

## 2.3 Mileage reimbursements

The district does not adequately document the purpose of employee mileage reimbursements. Employees are reimbursed mileage for use of personal vehicles when a district vehicle is not available for use. Mileage reimbursement forms are prepared which document miles driven and date of travel; however, the forms do not clearly document the business purpose of mileage, and district travel policies do not specifically require employees to state the purpose of travel on the forms.

Without adequate documentation of the purpose of travel, the district has less assurance all travel expenses are reasonable and necessary.

## 2.4 Professional services

The district did not solicit proposals for the following professional services:

- The district has used the same attorney for at least 5 years without conducting a competitive selection process. The district also has no written agreement with its attorney. The district paid \$55,431 to this attorney during the 2 years ended June 30, 2011.



## Mexico 59 School District Management Advisory Report - State Auditor's Findings

- The district has used a business consultant since 2009 to help with budget preparation and salary protocols without conducting a competitive selection process. The district also has no written agreement with this consultant. The district paid \$5,441 to this business consultant during the year ended June 30, 2011.

Soliciting proposals for services is a good business practice, helps provide a range of possible choices, and allows the district to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions be in writing.

## Recommendations

The School Board:

- 2.1 Adopt procedures to periodically compare diesel fuel purchased to fuel used and ensure the district vehicle is identified on each gasoline invoice.
- 2.2 Maintain logs or other records of mileage for each vehicle and adopt procedures for documented reviews of the reasonableness of mileage and fuel use.
- 2.3 Adopt procedures to require documentation of the business purpose for all employee travel.
- 2.4 Periodically solicit proposals and enter into written agreements for professional services.

## Auditee's Response

*The School Board provided the following written response:*

- 2.1 *The Director of Transportation will review diesel fuel purchases versus diesel fuel used.*

*A procedure has been implemented to record each district vehicle's usage on gasoline invoices and/or receipts. Once gas is purchased, the employee is required to identify the vehicle number on the receipt and sign the gasoline receipt. In addition, the district fuel credit cards are required to be signed out by an employee before it can be used to purchase gasoline.*

- 2.2 *The use of mileage logs for each district owned vehicle will be established. The Director of Transportation will also perform a periodic review of the reasonableness of mileage and fuel use for each vehicle.*



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Mexico 59 School District  
Management Advisory Report - State Auditor's Findings

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2.3 *In-district travel reimbursement forms have been redone to include the business purpose of mileage driven. Out-of-district travel reimbursement forms already have this information required.*

2.4 *Attorney's Services: The school district will obtain a written retention letter and billing rates for legal services. The district will receive itemized bills that reflect the billing rates. The district will periodically solicit legal firms for their billing rates and services.*

*Business Consulting Services: The school district will obtain a written contract for business consulting services. The district will periodically solicit for business consulting services.*

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# Mexico 59 School District

## Organization and Statistical Information

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The Mexico 59 School District is located in Audrain County, Missouri.

The district operates a senior high school (grades 9-12), a middle school (grades 6-8), three elementary schools (grades K-5), an early childhood center, an education center, and a career center. Enrollment was 2,287 for the 2011-2012 school year. The district employed 263 full-time and 131 part-time employees at June 30, 2011.

The Mexico 59 School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

### School Board

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2011, were:

Dr. Peter D. Perll, President  
Beverly D. Borgeson, Vice-President  
Beverly MacFarlane, Treasurer  
Dr. M. Elwood Rice, Member  
Robby Miller, Member  
Patrick Maguire, Member  
Dustin C. Pascoe, Member

### Superintendent

The district's superintendent at June 30, 2011, was Tina Woolsey and her annual compensation was \$99,250. The superintendent's compensation is established by the school board.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to district personnel, the district was awarded and spent the following American Recovery and Reinvestment Act of 2009 funding from the U. S. Department of Education during the year ended June 30, 2011, which was mostly used for teacher salaries.



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Mexico 59 School District  
Organization and Statistical Information

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Program	Amount	Number of teachers
Title I Grants to Local Educational Agencies	\$ 263,672	10
Special Education - Grants to States	96,620	4
Special Education - Preschool Grants	13,567	0
State Fiscal Stabilization Fund - Education	286,104	9
State Grants		
State Fiscal Stabilization Fund -	174,920	6
Governmental Services		
Education Jobs Fund - Classroom Trust Fund	61,547	3
Education Jobs Fund - Federal Budget	167,824	6
Stabilization Fund		
Education Jobs Fund - State Schools Fund	261,101	10
Education for Homeless Children and Youth	1,455	0

The district will need to secure alternative funding sources to ensure the sustainability of most of the jobs funded by these awards.



# Thomas A. Schweich

Missouri State Auditor

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## Vernon County



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October 2012

Report No. 2012-127

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Vernon County

County Collector-Treasurer Procedures	The County Collector-Treasurer's accounting and reporting procedures do not provide adequate assurance all property tax receipts and disbursements are accounted for properly. The Collector-Treasurer does not maintain a book balance and bank reconciliation procedures are not adequate. Audit staff prepared a bank reconciliation and determined the bank balance was \$1,345 less than the identified liabilities at December 31, 2011. In addition, accounting duties are not adequately segregated, which increases the risk that unsupported or unauthorized changes can be made in the property tax system, and controls in the computerized property tax system are not adequate to ensure all monies are properly recorded.
Prosecuting Attorney Procedures	As noted in our prior report, bad check receipts are not recorded immediately upon receipt and are not deposited timely. In addition, the payee is not always written in on money orders lacking a payee and money orders mistakenly made out to the Prosecuting Attorney are endorsed over to the victim instead of being deposited and disbursed by check. Receivables can be written-off without formal approval of a person independent of the postings, making it difficult to ensure they are legitimate, and adequate documentation is not always maintained to support the reasons for the write-off.
County Procedures and Disbursements	State law requires contracts of political subdivisions to be in writing, but the county has not always entered into formal written agreements for services provided to or by the Sheriff's office. In addition, the Sheriff's office does not maintain adequate documentation to ensure rates charged for housing prisoners are reasonable or to document why various entities were charged different rates. As of May 2012, Jasper County owes Vernon County \$5,040 for prisoner board, which Vernon County has not been able to collect. The Sheriff's office entered into a written agreement with a phone company which was not approved by the County Commission or maintained by the County Clerk. The county paid \$207,000 in 2010 and \$179,000 in 2011 based upon a written agreement for its share of dispatching services provided by the Western Missouri 911 Dispatch Center, but these payments were not based on actual or estimated current costs to operate the Center. Computer system passwords are shared among county employees and officials in the Prosecuting Attorney's and County Collector-Treasurer's offices, and user accounts in the County Collector-Treasurer's office are not required to be disabled or removed after an employee termination.
Closed Meetings	Some open County Commission meeting minutes did not indicate a closed meeting occurred, and open meeting minutes did not always document specific reasons for closing the meeting, the specific section of law that allows for a closed meeting, or the roll call vote to close the meetings. Also, closed meeting minutes were not available for 7 of the 19 closed meetings held in calendar years 2010 and 2011.



Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.
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In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	Vernon County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Vernon County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Vernon County

We have audited certain operations of Vernon County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, was engaged to audit the financial statements of Vernon County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Vernon County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Amanda Locke, M.Acct.
Audit Staff:	Kenneth Erfurth
	Nicole Meltabarger, M.Acct.

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# Vernon County

## Management Advisory Report

### State Auditor's Findings

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#### **1. County Collector-Treasurer Procedures**

The County Collector-Treasurer's accounting and reporting procedures do not provide adequate assurance all property tax receipts and disbursements are accounted for properly. The office of the County Collector-Treasurer processed property taxes averaging \$12.7 million annually for the 2 years ended February 29, 2012.

##### **1.1 Bank reconciliations**

Bank reconciliation procedures are not adequate. The County Collector-Treasurer does not reconcile the bank balance to the book balance because no book balance is maintained. In addition, liabilities are not identified and reconciled with cash balances.

According to the County Collector-Treasurer, he reconciled the bank balance to identified liabilities prior to April 2010. However, he has not been able to reconcile liabilities to the bank balance since that time, and the reconciling differences varied each month. According to the County Collector-Treasurer, these variances occurred after the county began accepting credit card payments, which do not always post to the bank account timely. In April 2011 the County Collector-Treasurer modified his bank reconciliation process by starting with the beginning bank balance each month and ending with the ending bank balance to ensure all deposits and disbursements have properly cleared.

We prepared a bank reconciliation and identified liabilities for the County Collector-Treasurer's main collection account at December 31, 2011. Identified liabilities exceeded the reconciled bank balance by \$1,345. While the County Collector-Treasurer could not determine the reasons for the difference between liabilities and the reconciled bank balance, distributions related to insufficient checks could have contributed to the differences.

Adequate and accurate bank reconciliations are necessary to ensure all receipts and disbursements are accounted for properly. Without a regular comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained to provide assurance that bank and book amounts have been properly reconciled, and that book balances are accurately stated.

##### **1.2 Segregation of duties**

An employee in the County Clerk's office, who is responsible for posting additions and abatements to the property tax system, also receives and records monies in the Collector-Treasurer's office during November and December each year. Because the employee is responsible for collecting tax monies and has the ability to alter or delete individual tax information, there is an increased risk that unsupported or unauthorized changes can be made in the property tax system. Although the County Commission reviews and approves court-ordered addition and abatement printouts from the computerized tax system in total on a monthly basis, there is no comparison



## Vernon County Management Advisory Report - State Auditor's Findings

of these printouts to original documents from the Assessor's office to ensure only valid additions and abatements were entered into the system.

Without adequate segregation of duties, there is an increased risk of loss, theft, misuse, and errors occurring and going undetected. Good internal controls require incompatible duties be properly segregated, or periodic independent reviews of the addition and abatement records be performed when proper segregation cannot be achieved.

### 1.3 Computer system controls

Controls in the computerized property tax system are not adequate to ensure all monies are properly recorded.

- The computerized property tax system allows users to change the date received and the receipt transaction number, thereby allowing for the possible manipulation of receipt data which would be difficult to identify because the numerical sequence cannot be accounted for accurately.
- The system does not retain the method of payment entered for each receipt recorded in the system. Instead, the system only retains the method of payment in total by day. While the Collector-Treasurer stated he compares the composition in total when preparing the deposit, without knowing the composition of each receipt, it is difficult to identify the reasons for differences and it does not provide for an effective audit trail.

To properly account for all monies received, receipt transactions should be dated and numbered in sequential order. To provide controls over receipt information and to ensure an audit trail is maintained in the system, consideration should be given to modifying the software program to add control features to prevent receipt transaction number and date changes and to maintain the individual composition of receipts.

## Recommendations

The County Collector-Treasurer:

- 1.1 Prepare bank reconciliations and lists of liabilities monthly. Any discrepancies between the accounting records and reconciliations should be investigated and resolved.
- 1.2 Work with the County Clerk to adequately segregate accounting duties.
- 1.3 Ensure receipt transactions are properly dated and sequentially numbered in the property tax system. In addition, the County Collector-Treasurer should ensure the method of payment is retained for all individual receipt transactions.



Vernon County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The County Collector-Treasurer provided the following written responses:*

- 1.1 Complete bank reconciliations have been performed on a monthly basis since April 2012 and I am comparing it to a list of liabilities with any differences being noted. This office is now using a spreadsheet that will improve accounting practices and identify these differences.*
- 1.2 This office will no longer share an employee of the clerk's office that posts additions and abatements into the property tax system. However the employee we did share worked in the satellite office that accepted checks only. No cash is kept in that office.*
- 1.3 This office will work with our software providers to ensure that sequential receipt numbers are provided on all receipts and that method of payment shows on daily checkout reports. The only receipts that were post dated are protested taxes which we do not receive very often. We post date them but they show up in our reports as if they were delinquent. This seems to work best in our computer system for record keeping and audit trail.*

*The County Clerk provided the following written response:*

- 1.2 The County Clerk after discussion with the County Commission and Collector-Treasurer will no longer have an employee working in the Collector's office during tax season. This will allow segregation of duties to remain intact within in each office while performing the duties of tax additions, abatements and collection.*

*The County Clerk is now reviewing all court orders prepared by the Assessor's office for tax additions, abatements and splits with changes entered into the computerized system by Clerk's office staff. This allows a comparison of each original document besides the review of totals by the County Commission.*

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## 2. Prosecuting Attorney Procedures

Procedures related to receipts and deposits, and receivable write-offs need improvement. Prosecuting Attorney receipts totaled approximately \$88,100 in 2011 and \$105,200 in 2010.

### 2.1 Receipts and deposits

We noted the following concerns regarding receipting and depositing procedures:

- Bad check receipts are not recorded immediately upon receipt, and are not deposited timely. For example, a check dated November 23, 2011,



Vernon County  
Management Advisory Report - State Auditor's Findings

was not recorded or deposited until December 15, 2011. Deposits typically occurred one to three times per month and often exceeded \$1,000.

A similar condition was noted in our prior report.

- The payee is not always written in by Prosecuting Attorney office personnel on the money orders accepted for payment of bad checks or restitution when the line has been left blank by the payer. In addition, the Prosecuting Attorney indicated money orders mistakenly made payable to the Prosecuting Attorney for bad check charges are sometimes endorsed over to the victim instead of being deposited and disbursed to the victim by check. By not depositing all monies made payable to the Prosecuting Attorney's office, there is an increased risk of receipts not being accounted for properly.

Failure to implement adequate recording and depositing procedures increases the risk that loss or misuse of monies received will go undetected.

## 2.2 Receivable write-offs

Write-offs of receivables are not formally approved by a person independent of the postings of such transactions to ensure they are legitimate, and adequate documentation is not always maintained to support the reasons for the write-offs. In addition, some write-offs are entered into the computerized system as receipts instead of as adjustments.

Write-offs are adjustments to reduce account balances to \$0 to remove uncollectible accounts from the system for various reasons, such as inability to locate individuals and lack of sufficient information to pursue the case. Currently, two clerks in the Prosecuting Attorney's office can make adjustments without an independent documented approval. Although the Prosecuting Attorney reviews a monthly list of write-offs entered as adjustments in the system, he does not review a complete list of write-offs because some write-offs are entered as receipts in the system. Office personnel do not know how to generate reports of these other types of write-offs. In addition, entering write-offs as receipts in the system causes recorded receipts to be higher than deposits, making it difficult to ensure all monetary receipts are actually deposited.

Proper authorization of adjustments, adequate documentation which fully explains the reason for the adjustments to accounts receivable balances, and proper adjustment entry into the computerized system are necessary to ensure only the proper accounts and amounts are adjusted and to reduce the risk of loss, theft, or misuse of funds.





Vernon County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The Prosecuting Attorney:

- 2.1 Issue pre-numbered receipt slips for all monies received immediately upon receipt and ensure the payee is indicated on all money orders. In addition, receipts should be deposited in a timely manner and all disbursements should be made by check.
- 2.2 Ensure adequate documentation is maintained to support all write-offs and write-offs are properly entered into the computerized system. In addition, an independent review and approval of all write-offs should be performed and documented.

## Auditee's Response

*The Prosecuting Attorney provided the following responses:*

- 2.1 *We will issue pre-numbered receipt slips immediately for all monies received. However, we will continue our practice of endorsing money orders over to the victim instead of depositing and disbursing by check. We do not intend to open an additional checking account in the Prosecuting Attorney's office.*
- 2.2 *We will talk with the software contractor to determine if adjustments can be entered into the system rather than as a receipt. In addition, we will talk to the software contractor to determine if there is a report to show all adjustments. I agree to perform a review of all adjustments.*

---

## 3. County Procedures and Disbursements

Procedures related to written agreements and reasonableness of costs, are not adequate. In addition, controls over computer systems are not sufficient to prevent unauthorized access.

### 3.1 Agreements

The county has not always entered into formal written agreements for services provided to or by the Sheriff's office, and the County Commission did not approve one contract entered into by the Sheriff. In addition, the Sheriff's office has not maintained adequate documentation to ensure the rates other entities are charged for housing prisoners are reasonable.

- The county has not entered into written agreements with other counties and municipalities for housing prisoners in the county jail. In addition, the Sheriff's office has not maintained adequate documentation to ensure the rates charged are reasonable or to document why various entities are charged different rates. The county received \$393,582 in 2011 and \$331,557 in 2010 for housing prisoners and the county currently charges between \$35 and \$70 per day for housing costs.



## Vernon County Management Advisory Report - State Auditor's Findings

Jasper County, which had prisoners housed in the jail in 2011, has failed to pay, and as of May 2012, owes \$5,040 for prisoner board. Vernon County has been unsuccessful in its attempts to obtain payment.

- The Sheriff entered into a written agreement with a phone company which provides for the county to receive commissions from use of the phones by the prisoners in the county jail; however, the agreement was not approved by the County Commission or maintained by the County Clerk. The county received approximately \$41,300 in phone commissions during the 2 years ended December 31, 2011.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Further, the County Commission should approve all contracts and the contracts should be maintained by the County Clerk. Periodic and documented analyses of prisoner boarding costs is necessary to ensure rates charged are reasonable.

### 3.2 Reasonableness of costs

The county has not ensured its overall share of costs for the services provided by the Western Missouri 911 Dispatch Center (the Center) are reasonable. The Center, which is administered by a joint board, was created in 2009 as a cooperative effort between the county and the City of Nevada to provide 911 dispatching services for these entities. It began operation in 2010.

The county paid \$207,000 in 2010 and \$179,000 in 2011 to the Center for its share of dispatching services based on a written agreement. However, these payments were not based on actual or estimated current costs to operate the Center. Instead, the amounts were based on total costs incurred by the county for its 2009 dispatching services, which were incurred prior to the Center's establishment, with 2011 costs being lower based on the pro-rata share of calls.

To ensure the amount paid is reasonable and represents the true cost of the services, the county should work with the Western Missouri 911 Center to annually reassess overall costs of the Center and determine the appropriate share of costs for each entity.

### 3.3 Passwords

Computer system passwords are shared among county employees and officials in the Prosecuting Attorney's and County Collector-Treasurer's offices. In addition, user accounts in the County Collector-Treasurer's office are not required to be disabled or removed after an employee termination.



Vernon County  
Management Advisory Report - State Auditor's Findings

The County Collector-Treasurer sometimes accesses another user's account to record transactions in the property tax accounting system. In addition, one former employee and two part-time seasonal employees (who had not worked since February 2012 and January 2012, respectively) have active user accounts in the County Collector-Treasurer's computer system as of June 2012. The County Collector-Treasurer stated he accesses other user accounts because it is easier than logging on to his own computer. In addition, he explained access was not removed for the part-time seasonal employees because the users will be performing duties at a later date.

The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system. To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. Passwords should be kept confidential and changed periodically to help limit unauthorized access to computer files.

## Recommendations

The County Commission:

- 3.1 Work with the Sheriff's office to ensure written agreements are obtained for all services and are properly reviewed and approved by the County Commission. In addition, the Sheriff should periodically review the costs of housing inmates and establish billing rates sufficient to recover costs.
- 3.2 Ensure the amount paid for 911 dispatching services is reasonable.
- 3.3 Work with the Prosecuting Attorney and the County Collector-Treasurer to require passwords be kept confidential. In addition, user identifications and passwords should be deleted after an employee termination or disabled for part-time employees after their work has ended for the season.

## Auditee's Response

*The County Commission provided the following written responses:*

- 3.1 *The County will work with the Sheriff and other Elected Officials to ensure all contracts and agreements are approved by the County Commission as required by RSMo 50.660 and 432.070. Additionally, during the review process and before final approval, the Commission will review information provided by the Sheriff's department to determine if rates charged in such contracts and agreements are reasonable.*
- 3.2 *The Western Missouri 911 Dispatch Center according to the original contract under Article III Section 3.2 states that charges will be determined on a "pro rata basis which shall be applied to all participating governmental agencies and set forth in the annual*



Vernon County  
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*service agreement." The County has requested the 911 Dispatch Director provide such cost share estimates to all entities for budget consideration based on the 911 approved budget.*

- 3.3 *The County Commission will work with IT to ensure computers automatically require periodic changing of passwords for logging onto the county servers. Office holders and employees will again be reminded user passwords are confidential as stated in the County's Internet/Electronic Mail Policy included in the county personnel handbook. User names and passwords will be addressed as related to temporary, part-time and seasonal employees being deleted upon their departure from employment and re-established upon re-hire.*

*The Sheriff provided the following response:*

- 3.1 *I currently have contracts signed but will meet with the Commission to approve the contacts. My Jail Administrator reviews expenditure data quarterly to determine estimated cost per prisoner. We will continue monitoring of our cost analysis, ensure documentation of this is retained, and update contracts as needed.*

*The County Collector-Treasurer provided the following written response:*

- 3.3 *This office will work with our IT person to insure passwords are changed or disabled and kept confidential.*

*The Prosecuting Attorney provided the following response:*

- 3.3 *We do not think this is feasible because if someone is gone we may need something on their computer. We are aware of the audit trail difficulties but we do not see a feasible solution.*

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## 4. Closed Meetings

Some concerns were identified regarding documentation of closed County Commission meetings.

- Open meeting minutes did not always document specific reasons for closing the meeting, the specific section of law that allows for a closed meeting, or the roll call vote to close the meetings. In addition, there were some instances in which open meeting minutes provided no evidence a closed meeting occurred.
- Closed meeting minutes were not available for 7 of the 19 closed meetings held between January 1, 2010, and December 31, 2011.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and requires



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Vernon County  
Management Advisory Report - State Auditor's Findings

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records of votes, including roll call votes before closing a meeting. Additionally, the Sunshine Law requires open minutes document the reason for closing a meeting and limits discussions in closed meetings to only those specifically allowed by law.

Similar conditions were noted in our prior report.

## Recommendation

The County Commission ensure minutes are prepared and comply with state law regarding closed meetings.

## Auditee's Response

*The County Commission provided the following written response:*

*The County Commission will make every effort to adhere to the Sunshine Law Chapter 610 RSMo. If a scheduled closed session is not required to be held, such absence of the hearing will be reflected in the Commission minutes.*

*The Prosecuting Attorney provided the following response:*

*I have instructed the Commission to comply with the open meetings law regarding closed session, and to at a minimum have minutes that reflect votes to go into and out of closed session, as well as any votes taken.*

# Vernon County

## Organization and Statistical Information

Vernon County is a township-organized, third-class county. The county seat is Nevada.

Vernon County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 49 full-time employees and 15 part-time employees on December 31, 2011. The townships maintain county roads.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Bonnie M. McCord, Presiding Commissioner	\$	30,877
Kennon R. Shaw, Associate Commissioner		28,776
Neal F. Gerster, Associate Commissioner		28,776
Doug Shupe, Recorder of Deeds		43,600
Tammi S. Beach, County Clerk		43,600
Lynn M. Ewing III, Prosecuting Attorney		109,366
Ron Peckman, Sheriff		48,328
David L. Ferry, County Coroner		14,708
Tammy Bond, Public Administrator		43,600
Phil Couch, County Collector-Treasurer (1), year ended March 31,	69,515	
Cherie K. Roberts, County Assessor (2) , year ended August 31,		46,000
Jerry Wood, County Surveyor (3)		

(1) Includes \$25,915 of commissions earned for collecting city property taxes.

(2) Includes \$2,400 received from the City of Nevada for assessment of property within the city.

(3) Compensation is on a fee basis.

### Financing Arrangements

In November 2007, the county entered into a 20-year lease purchase agreement with Southwest Trust Company, N.A. to pay for a capital improvement project for the jail and Sheriff's office. The terms of the agreement call for the trust company to issue Certificates of Participation totaling \$10 million and lease the new facility back to the county for lease payments equal to the principal and interest due on the outstanding



Vernon County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

certificates. Construction on the new facility was completed in 2009 and the lease is scheduled to be paid off in 2027. The principal and interest due on the lease at December 31, 2011, was \$8,905,000 and \$3,337,498, respectively. The lease will be paid with revenue generated from the Law Enforcement sales tax which was passed on April 3, 2007.

Vernon County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



# Thomas A. Schweich

Missouri State Auditor

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## Polk County



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October 2012  
Report No. 2012-126

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<http://auditor.mo.gov>





**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Polk County

Law Enforcement Sales Tax Fund	The amount of General Revenue Fund monies needed to support the Law Enforcement Sales Tax Fund increased significantly through 2011. Although the county has taken some steps to address this situation, a 2012 transfer of \$195,902 is still budgeted.
Disbursements	The county did not solicit bids, maintain bid documentation, or document why a sole source provider was used for several purchases. The county spends more than \$25,000 each year to operate a recycling center, but the center is not adequately monitored, collected recyclable materials are not sold when feasible, and agreements with other parties are not in writing. The county lacks procedures to follow up on fuel use discrepancies. For the year ended December 31, 2011, the county could not account for fuel valued at approximately \$10,400.
Prosecuting Attorney Controls and Procedures	Traffic ticket amendment and accounting duties are not adequately segregated, and no documented supervisory review is performed. A theft of \$209 was discovered when a defendant called to check on a payment, and, after investigating, the Prosecuting Attorney required repayment of the monies and terminated the employee in August 2011. The office does not issue receipt slips for traffic ticket payments, account for the numerical sequence of receipt numbers assigned by the accounting system, or deposit monies timely. The bad check clerk is able to post adjustments to the computer system without obtaining independent approval, making it difficult to ensure the validity and propriety of all adjustments. A dormant bank account had a balance of \$980 and should be closed, and case files could not be located for 3 of 22 cases selected for review.
Property Tax System Controls and Procedures	The property tax system controls and procedures need improvement. As noted in several prior audit reports, the County Clerk and County Commission did not perform adequate or timely reviews of property tax additions and abatements, and the County Clerk does not reconcile the court orders for additions and abatements to actual changes made to the property tax system. In addition, the County Clerk does not prepare or verify the accuracy of the current or back tax books, and neither the County Commission nor the County Clerk adequately reviews the County Collector's annual settlement.
Sheriff Controls and Procedures	Accounting duties are not adequately segregated in the jail and Sheriff's office, and no documented independent or supervisory review of jail deposits or other accounting records is performed. The Sheriff's office does not prepare a monthly list of liabilities and reconcile it to the cash balances for the commissary/inmate monies account. A list of liabilities prepared by audit staff was reconciled to the cash balances and a shortage of \$197 was identified. The seized property/evidence log is not accurate, and a physical inventory of seized property has not been conducted in at least 8 years. The Sheriff held commissary profits of \$3,300 outside the county treasury.

Public Administrator Controls and Procedures	Real estate and personal property were omitted from 3 out of 5 annual settlements reviewed by audit staff. Some invoices were not paid timely for 4 out of 5 annual settlements reviewed, and this along with inadequate review of invoices resulted in over payment to vendors.
Recorder of Deeds Bank Reconciliations	The Recorder of Deeds had not prepared formal bank reconciliations and identified month end liabilities since January 2010. At our request, the Recorder of Deeds prepared a list of liabilities, and the available cash balance exceeded identified liabilities by \$69 as of December 31, 2011.
Minutes, Personnel Policies, and Sheriff's Revolving Fund	County Commission minutes did not always include sufficient or correct information. A similar issue was noted in our prior audit report. The personnel policy manual has not been updated to reflect numerous changes made over the last several years. The county did not establish a Sheriff's Revolving Fund, as required by state law, so concealed weapon permit related fees were deposited into the Law Enforcement Sales Tax Fund and were not separately tracked.
Senate Bill 40 Board	The SB40 Board does not have written contracts with entities to which it provides funding and does not require the entities to submit financial reports or detailed information sufficient to allow the Board to monitor the use of the monies provided.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\* However, the audit revealed serious shortcomings within the Prosecuting Attorney's office.

American Recovery and Reinvestment Act (Federal Stimulus)	During the audit period, Polk County received and expended \$55,543 in a Homelessness Prevention and Rapid Re-housing Program grant to provide homelessness prevention assistance and rapid re-housing assistance.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Polk County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Polk County

We have audited certain operations of Polk County in fulfillment of our duties under Section 29.230, RSMo. In addition, Davis, Lynn & Moots, P.C., Certified Public Accountants, was engaged to audit the financial statements of Polk County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Polk County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Natalie B. McNish, CGAP
Audit Staff:	Michelle Crawford, M.Acct. Connie James

# Polk County Management Advisory Report State Auditor's Findings

## 1. Law Enforcement Sales Tax Fund

The amount of General Revenue (GR) Fund monies needed to support the Law Enforcement Sales Tax (LEST) Fund increased significantly over the past several years. Our prior audit report documented how the subsidy from the GR Fund increased significantly between 2005 and 2008 while receipts of the LEST Fund remained fairly constant. Between the years 2008 and 2011, receipts declined; however, spending of the LEST Fund remained fairly constant. Therefore, a continually increasing subsidy was needed to avoid budget deficit in the LEST Fund. The following table reflects the actual financial activity of the LEST Fund for 2008 through 2011, and budgeted financial activity of the LEST Fund for 2012:

	Year Ended December 31,				
	Budgeted	Actual			
	2012	2011	2010	2009	2008
Cash Balance, January 1	\$ 0	0	0	99,022	0
Receipts	1,655,795	1,583,552	1,642,628	1,632,470	1,991,545
Transfers from the GR Fund	195,902	659,396	591,222	459,099	364,574
Disbursements	(1,851,697)	(2,242,948)	(2,233,850)	(2,190,591)	(2,257,097)
Cash Balance, December 31	\$ 0	0	0	0	99,022

The above amounts were obtained from the county's 2012 and 2010 budget documents.

The county has taken some actions to address this situation including the elimination of several previously budgeted positions paid from the LEST Fund. However, the county has budgeted a 2012 transfer from the GR Fund of \$195,902 to the LEST Fund.

The County Commission, along with other county officials, should continue to take steps to minimize the transfers from the GR Fund to the LEST Fund. Long-term financial planning, including reducing discretionary spending where possible, evaluating management practices to ensure efficient use of resources, and attempting to maximize receipts from all sources should be performed.

## Recommendation

The County Commission and other county officials take action to improve the financial condition of the LEST Fund.

## Auditee's Response

*The County Commission provided the following written response:*

*As stated in your findings, in this 2012 budget year we have already implemented steps in reducing transfers from the GR Fund to the LEST Fund. We did budget \$195,902 to transfer to the LEST this year, if needed. To date we have only transferred \$39,173.52 to the LEST Fund. As recommended by the Commission, we feel this a positive attempt by the elected officials in the LEST Fund, to monitor their line item expenditures in their budgets and to keep spending at a minimum. Since the economy does not seem to be improving and we are not seeing an increase in revenue but*



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Management Advisory Report - State Auditor's Findings

*are seeing an increase in the costs of everyday expenses, we anticipate that more cuts may need to be made in next year's budget. It is our intention to build back our reserves in general revenue and to achieve that goal, expenditures in all county budgets will need to be monitored closely.*

## 2. Disbursements

Weaknesses were noted in controls and procedures related to bidding, the recycling center, and fuel.

### 2.1 Bidding

The county did not solicit bids, maintain bid documentation, or document justification of sole source provider for several purchases paid from the LEST and GR Funds. As noted in MAR finding number 1, the disbursement of these funds should be carefully monitored to ensure a stronger financial condition.

- Bids for automotive repairs, office supplies, and information technology products were not properly solicited when purchases from these vendors exceeded \$4,500 in a 90 day period.
- The county failed to advertise for bids related to gravel, concrete, cold mix, and asphalt during the 2 years ended December 31, 2011. Instead, price sheets were acquired from various selected vendors for each type of product. The county indicated these price sheets were compared for each project prior to purchasing such products. However, no documentation was maintained to justify the vendor chosen for each project. During this period, the county disbursed more than \$2.2 million for the purchase of these items.
- The Sheriff's department did not solicit bids for the purchase of food and supplies needed to prepare prisoner meals (\$97,000) or medical services (\$68,000) during the 2 years ended December 31, 2011. Documentation of bids received by the Sheriff's department for wearable cameras (\$12,514) and a washing machine (\$5,001) was not retained and documentation justifying sole source procurement by the Sheriff's department was not prepared for the purchase of rearview mirror cameras (\$15,164) or radio repeaters (\$9,600) during the 2 years ended December 31, 2011.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process for major purchases, including professional services, ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the county's selection process, and criteria should be retained to demonstrate compliance with bidding requirements and to support purchasing decisions.



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## 2.2 Recycling center

The county disburses more than \$25,000 annually to operate a recycling center. The center is not adequately monitored, recyclable materials collected are not sold, and agreements with other parties are not written.

The county and the City of Bolivar jointly established a recycling center in 1998 in conjunction with a grant from the regional solid waste district. Several trailers and recyclable collection bins have been provided through additional grants. No written agreement was developed for this joint venture. The city provides the land and building and pays utility costs. All other costs, including equipment, fuel, supplies and the salary of one employee, are paid by the county. While many recyclables collected could be sold to recoup a portion of these costs, the center gives all aluminum, plastic, and tin to a local recycling business, and paper goods and glass items are either picked up at the center by an out of county business or are transported out of the county to be recycled. The recycling center employee indicated fees for the disposal of televisions and computer equipment are collected from citizens dropping off those items. Those items along with the fees are then taken to a recycling center in Springfield. No written agreements regarding the disposition of recyclables exist and no other monies are received for the recyclable goods. The County Commission does not monitor operations of the recycling center, and was unaware any fees were collected or that no monies were received for the other recyclables. The Commission has not conducted a review of the center's operational costs and procedures to determine whether continuing operation of the recycling center is a cost effective use of county funds.

While it may be desirable to fund certain operations, funding should be reviewed periodically to ensure activities are operated efficiently and continue to be in the best interest of the county. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

## 2.3 Fuel

The county has not established procedures to follow up on fuel use discrepancies. During 2011, the county purchased almost \$244,000 of fuel. The road and bridge department maintains three bulk fuel tanks (two 4,500 gallon diesel fuel tanks and one 1,000 gallon gasoline tank) at the road and bridge building. The bulk fuel tanks are metered, logs are maintained for fuel received and dispensed, and monthly and annual reconciliations of the fuel log to fuel purchases are completed by the County Clerk's office; however, discrepancies found during these reconciliations are not communicated to the County Commission or Road and Bridge Foreman for follow up. According to the fuel reconciliation completed by the county for the year ended December 31, 2011, 2,503 gallons of diesel fuel and 689 gallons of gasoline were purchased for which usage was not recorded. Based upon the average price paid per gallon for diesel and gasoline during 2011, this unaccounted for fuel is valued at more than \$10,400 (4 percent of





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total fuel purchased). Without adequate follow up, the county cannot determine the cause for the fuel use discrepancies, and therefore cannot resolve such discrepancies with fuel vendors and/or county employees.

To decrease the risk of theft or misuse of fuel occurring without detection and possibility of paying incorrect fuel billings, the county should establish follow up procedures when fuel reconciliations result in discrepancies.

Similar conditions  
previously reported

Similar conditions to sections 2.1 and 2.3 were noted in our prior audit report.

## Recommendations

The County Commission:

- 2.1 And the Sheriff perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- 2.2 Evaluate whether continued involvement in the recycling center is in the best interest of the county. If involvement is continued, the County Commission should establish adequate monitoring procedures, develop policies regarding user fees and disposition of collected recyclables, and enter into written agreements with all parties.
- 2.3 Ensure all fuel reconciliation discrepancies are investigated.

## Auditee's Response

*The County Commission provided the following written responses:*

- 2.1 *We will make every attempt to bid our purchases that exceed \$4,500 in a 90 day period and follow the bidding requirements and procedures outlined in Section 50.660, RSMo. We will also ensure bid documentation is retained.*
- 2.2 *We, the Commission, have already taken steps to monitor procedures and policies regarding user fees and disposition of recyclables. We are no longer accepting items that require a fee for disposal. We understand that in the future we may have to evaluate whether continued involvement in the recycling center is in the best interest of the county. In the meantime, we will contact the city of Bolivar and implement a written agreement for the joint venture.*
- 2.3 *After the auditors findings of discrepancies found in Fuel Log procedures, we went back through our records and found a probable vendor miscalculation in September of 2011 that we feel may have accounted for the large amount of diesel that was not accounted for. Therefore, we have modified our procedures for*



Polk County  
Management Advisory Report - State Auditor's Findings

*reconciling our fuel logs. The County Clerk's office will continue to reconcile the fuel logs each month and present them to the Commission and the Road and Bridge foreman for review. Any discrepancies can then be discussed and handled as needed.*

*The Sheriff provided the following written responses:*

2.1 *In the future we will get with the Clerk of the County and try to fill out proper paperwork that they require for the bid process.*

### **3. Prosecuting Attorney Controls and Procedures**

Failure to segregate duties related to traffic tickets and accounting records created the opportunity for theft of monies collected by the Prosecuting Attorney's office. We also noted other controls and procedures in the Prosecuting Attorney's office are in need of significant improvement. The Prosecuting Attorney's office processed more than \$231,000 in bad check restitution and fees, and court ordered restitution during the 2 years ended December 31, 2011.

#### **3.1 Segregation of duties**

Traffic ticket amendment and accounting duties are not adequately segregated. One clerk in the Prosecuting Attorney's office receives and reviews all traffic tickets; applies the Prosecuting Attorney's facsimile signature stamp to the traffic tickets; determines if a traffic ticket can be amended to a lesser charge in exchange for a higher fine; and completes and applies the Prosecuting Attorney's facsimile signature stamp to the amendment offer. Further, this clerk is also responsible for receiving, recording, transmitting or depositing all monies for amended traffic tickets, and bad check and court ordered restitution cases; and completing bank reconciliations. No documented supervisory review of ticket procedures, transmittals and/or deposits, or other accounting records and procedures is performed.

The Prosecuting Attorney indicated a former traffic ticket clerk in his office had stolen \$209 collected for an amended traffic ticket. The former employee was able to conceal theft due to the lack of segregation of duties and oversight. The theft was only discovered after the defendant contacted the court to verify whether the payment had been transmitted by the Prosecuting Attorney's office and it had not. The Prosecuting Attorney required repayment of the monies, terminated the employee in August 2011, and conducted a review of similar transactions and found no other evidence of missing monies.

Proper segregation of duties and/or documented supervisory reviews of accounting records and procedures, are necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded.



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### 3.2 Receipting and depositing

Procedures for receipting and depositing monies need improvement.

- Receipt slips are not issued for traffic ticket payments received and transmitted to the court.
- The numerical sequence of receipt numbers assigned by the computerized accounting system is not accounted for properly. As a result, receipt information deleted from the accounting system has gone undetected. Information for 3 of 35 receipt slips reviewed, issued between October 20 and November 18, 2011, was not retained in the system. The clerk contacted the computer system programmer who determined this information had been deleted from the system and no record remains of these transactions.
- Receipt dates entered into the system were not always accurate and in sequential order. For example, the receipt date recorded for receipt number 79 was November 1, 2011, the receipt date for number 80 was October 27, 2011, and the receipt date for number 82 was November 1, 2011. Receipt number 81 was a deleted receipt and no record was available. The accounting system allows the user to enter the date of the receipt into the system.
- Monies received are not always deposited timely. For example, checks and money orders collected between January 30 and February 3, 2012, totaling \$4,107, were not deposited until February 8, 2012.

Failure to implement adequate receipting and depositing procedures increases the risk that loss or misuse of monies received will go undetected. In addition, without accounting for the numerical sequence of receipt slips, the Prosecuting Attorney cannot ensure all monies received are properly recorded and deposited.

### 3.3 Adjustments

Independent approval of adjustments made to the computerized accounting system is not documented. The bad check clerk has the ability to post adjustments to the computer system without obtaining independent approval. This clerk is also responsible for receiving, recording, and depositing bad check monies received. Several adjustments were made to bad check defendant accounts to remove amounts due from the system; however, approval of those adjustments was not documented. Common reasons for the adjustment entry recorded in the computerized accounting system included defendant incarceration and duplicate receipts.

To ensure the validity and propriety of all adjustments, someone independent of receipting and recording functions should review and approve all adjustments.



Polk County  
Management Advisory Report - State Auditor's Findings

### 3.4 Inactive bank account

The Prosecuting Attorney has a dormant bank account which should be closed. Monies totaling \$980 were held in an account established by the former Prosecuting Attorney. Upon our request, the bad check clerk reviewed the related records and identified outstanding checks totaling \$584 and an unidentified balance of \$396 in the account at March 31, 2012.

Maintaining a dormant account increases the risk of misuse of funds. To ensure funds are disposed of properly, the Prosecuting Attorney should attempt to identify and distribute the funds held in the dormant bank account, dispose of any unclaimed or unidentified funds in accordance with state law, and close the account.

### 3.5 Record retention

Some case files could not be located. For 3 of 22 bad check and court ordered restitution cases selected for review, case files could not be located by office personnel. Record retention is necessary to ensure the validity of transactions and provide an audit trail.

### Similar conditions previously reported

Similar conditions to sections 3.2 and 3.4 were noted in our prior audit report.

### Recommendations

The Prosecuting Attorney:

- 3.1 Ensure the approval of ticket amendments is adequately documented. In addition, the Prosecuting Attorney should segregate traffic ticket amendment and accounting duties to the extent possible and ensure adequate supervisory reviews of records are performed and documented.
- 3.2 Issue receipt slips for all monies received, and ensure receipt slips are properly dated, sequentially numbered, and accounted for properly. In addition, the Prosecuting Attorney should ensure all monies are deposited timely.
- 3.3 Require supervisory review and approval for accounting adjustments and retain adequate documentation to support all adjustments.
- 3.4 Investigate unidentified balances and follow up on old outstanding checks in the dormant bank account. Unclaimed or unidentified monies should be disposed of in accordance with state law, and the account should be closed.
- 3.5 Ensure records are properly retained.



Polk County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 3.1 *The duties are segregated to the extent possible given the limited number of clerks. It should be noted that as to traffic tickets this office does not deposit any funds on traffic matters. If a money order is received from a defendant, it is required that it be payable to the circuit clerk only and forwarded to the clerk. A receipt for the funds is now received from the clerk and placed in the file. I will run a report of amendments completed and document my review periodically.*
- 3.2 *Receipts are issued for all monies received for this office using the Karpel software and its numbering sequence and date. All monies are now deposited on a timely basis.*
- 3.3 *All accounting adjustments made are now approved by the prosecutor and documented at the time the adjustment is made along with a monthly review of the account.*
- 3.4 *The old account has been closed. The old or unclaimed account balances in that account have been disposed of in accordance with state law with the funds turned over to the treasurer. We will review the new account annually for stale or unclaimed funds.*
- 3.5 *A duplicate scanned copy of all files is now maintained by the office.*

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## 4. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. The County Collector processed approximately \$13.5 million annually for the years ended February 29, 2011 and 2010.

- 4.1 Additions and abatements As similarly noted in our several prior audit reports, the County Commission and County Clerk did not perform adequate or timely reviews of property tax additions totaling \$204,561 and abatements totaling \$93,966 for the year ended February 29, 2012. The Assessor enters information for additions and abatements into the tax system. Court orders, showing the original tax due, value of change made, and adjusted tax due are then printed in the County Collector's office; however, these court orders are not reviewed or signed by the County Commission. Instead, a summary report of changes made to the property tax system is printed by the County Collector and provided to the County Clerk who then gives it to the County Commission. Although the County Commission approves the summary report, neither the County Clerk nor the Commission review the summary report for accuracy.



## Polk County Management Advisory Report - State Auditor's Findings

In addition, the summary reports of changes made to the property tax system throughout the year are not always presented and approved by the County Commission in a timely manner. Additions totaling \$125,658 and abatements totaling \$45,634 were entered into the system between September and December 2011, but were not presented to the County Commission for approval until March 2012. Further, the County Clerk does not reconcile the court orders for additions and abatements to actual changes made to the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders, along with an independent reconciliation of approved additions and abatements to actual corrections made to the property tax system, would help ensure changes are proper.

**4.2 Review of property taxes** Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector. The County Clerk does not prepare or verify the accuracy of the current or back tax books. The County Collector enters the tax rates, which are obtained from the County Clerk, and extends and saves the current tax books. The County Collector also prepares the back tax books. The County Clerk indicated she reviews a system generated report of the tax rates entered into the property tax system after entry by the County Collector. Although the County Clerk maintains an account book, she does not calculate the totals for the year and reconcile the amounts to the County Collector's annual settlements. Failure to adequately review and verify tax books and annual settlements could result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and back tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, she should verify the accuracy of the tax books and document approval of the tax book amounts to be charged to the County Collector. The County Commission and the County Clerk should perform a thorough review of the County Collector's settlements.

## Recommendations

4.1 The County Commission and Assessor ensure all changes made to the property tax system are supported by court orders approved by the County Commission in a timely manner. In addition, the County Clerk should develop procedures to adequately monitor court orders



Polk County  
Management Advisory Report - State Auditor's Findings

to ensure only authorized additions and abatements are posted to the property tax system.

- 4.2 The County Clerk prepare the current and back tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with property tax amounts to be collected. Additionally, the County Commission and County Clerk should perform a thorough review of the County Collector's monthly and annual settlements.

## Auditee's Response

*The County Commission provided the following written responses:*

- 4.1 *We will work with the County Clerk to review court orders in a timely manner.*
- 4.2 *We will request the Collector's Monthly Statements and Annual Settlement from the Clerk and review.*

*The County Clerk provided the following written responses:*

- 4.1 *Because of new Collector/Assessor software implemented in September 2010, there have been some changes as to whom the County Clerk receives reports from. The Clerk is going to contact the IT person and see if it is possible for copies of the court orders prepared by the Assessor to also be printed in the Clerk's office as well as the Collector's office for immediate review by the Commission and the County Clerk. These court orders will then be reconciled with the monthly add-on and abatement report received from the Collector, and a copy of the court orders provided to the Assessor.*
- 4.2 *Upon the recommendations from the auditors, procedures are being implemented to reconcile the Collector's Monthly Statements to the Collector's Annual Settlements. The County Clerk will reconcile the Form 11A to the Collector's Charge and against the current tax books. The County Clerk will randomly check assessed valuations with levy amounts to make sure that extensions are correct, so that the County Clerk can verify the accuracy of the tax books and document approval of the tax book amounts.*

*The County Assessor provided the following written response:*

- 4.1 *In the future, we will be requesting a copy of the approved changes in personal and real property assessments.*



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## 5. Sheriff Controls and Procedures

Controls and procedures in the Sheriff's Department are in need of improvement. The Sheriff's Department processed more than \$510,000 during the 2 years ended December 31, 2011.

### 5.1 Segregation of duties

Accounting duties in the jail and Sheriff's office are not adequately segregated. The jail supervisor is responsible for receiving, recording, depositing, and disbursing all inmate monies collected in the jail. The jail supervisor receives bonds and transfers them to the Sheriff's secretary for further processing. The Sheriff's secretary is responsible for receiving, recording, depositing, and disbursing all monies collected in the Sheriff's office or transferred from the jail, including civil fees, carry and conceal fees, board bill payments, and bonds. In addition, the jail supervisor and secretary are responsible for completing bank reconciliations for their respective bank accounts. While the Sheriff reviews and initials deposit slips prepared for monies received in the Sheriff's office, no review of jail deposits or any other documentation is completed. Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review to ensure bank records are in agreement with accounting records.

### 5.2 Liabilities

A monthly list of liabilities is not prepared and reconciled to the cash balance for the commissary/inmate monies bank account. We prepared a list of known liabilities as of March 31, 2012, which totaled \$3,896, while the available cash balance was \$3,699, indicating a shortage of \$197.

A complete and accurate list of liabilities should be prepared monthly and reconciled to the book balance to ensure records are in balance and sufficient funds are available for payment of all liabilities. Any differences between the monthly lists of liabilities and reconciliations should be investigated and resolved.

### 5.3 Seized property

The seized property/evidence log is not accurate. The log is not updated in a timely manner, does not include all items collected as evidence, and includes items which were sold at a Sheriff's sale in 2011. In addition, the Sheriff's office has not conducted a physical inventory of all seized property in at least 8 years.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss or misuse of the stored items. Complete and accurate inventory control records should be maintained and periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for properly.





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## 5.4 Commissary profits

The Sheriff maintains profits from commissary sales outside the county treasury. As of March 31, 2012, there was approximately \$3,300 in profits held in the commissary account which should be distributed to the county treasury.

There is no statutory authority allowing the Sheriff to hold county monies outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

## Similar conditions previously reported

Similar conditions to sections 5.1 and 5.2 were noted in our prior audit report.

## Recommendations

The Sheriff:

- 5.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 5.2 Prepare a list of liabilities and reconcile the list to the book balance monthly for the commissary/inmate monies bank account. Any differences should be investigated and resolved.
- 5.3 Ensure all seized property received is promptly recorded on the property log and the disposition of seized property is accurately reflected on the property log, and require a periodic inventory be performed and reconciled to the log.
- 5.4 Disburse all commissary profits to the County Treasurer monthly.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 5.1 *We will implement this recommendation.*
- 5.2 *The staff and I are already working to correct this issue. I recommend that we either find a provider that handles and tracks all the inmate monies for commissary, or do away completely with the inmate commissary program. Each time we have received an audit this has always been an issue. My recommendations are what I see as the only way to cure this issue. We will review this program and find the shortfall.*



Polk County  
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- 5.3 *We are using the same process we have used for at least 16 years and were never an audit problem. The current process we are using is a self inventory. I don't understand the reason for physically inventorying.*
- 5.4 *We have used the same system for years on commissary profits. The profits were used strictly for items for the inmates: paper, stamps, envelopes, games, books, movies, TV's etc. I have never been told this was not the correct way. At the recommendation of the auditor this is being changed immediately.*

**Auditor's Comment**

- 5.3 As previously noted, a physical inventory of seized property is necessary to reduce the risk of loss or misuse of items held by the Sheriff and to ensure the accuracy of the inventory records. Had a physical inventory been performed, the errors noted on the log should have been identified.

**6. Public  
Administrator  
Controls and  
Procedures**

The Public Administrator failed to file complete or accurate annual settlements, did not adequately review invoices, and did not always pay invoices in a timely manner.

- Real estate and personal property were omitted from three of five annual settlements reviewed. For example, while the annual settlement filed for one ward identified the payment of real estate and personal property taxes, no real or personal property was listed by the Public Administrator on the annual settlement. According to the Public Administrator, this property should be valued at approximately \$60,000.
- Untimely payment of invoices was detected during our review of annual settlements and related supporting documentation for four of five cases reviewed. As a result of untimely payment, vendors often remitted a second invoice to the Public Administrator which included a past balance due that had been paid after the cut off date for the vendor's billing cycle and therefore not yet credited. Because the Public Administrator failed to adequately review these invoices, the invoice total was paid resulting in over payment to the vendor.

The Associate Circuit Court, Probate Division reviews and the approves annual settlements filed by the Public Administrator; however, the court's review did not detect the omissions from the annual settlements, untimely payments, or overpayments. Failure to adequately review settlements increases the risk that errors or misuse of funds could go undetected.

To ensure the financial activity of the estates is accurately and completely reported to the court, all assets should be reflected on the annual settlements, and invoices should be thoroughly reviewed and promptly paid.



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## Recommendation

The Public Administrator should ensure invoices are reviewed and paid in a timely manner for the correct amount and annual settlements are accurately prepared. In addition, the Associate Circuit Court, Probate Division should establish procedures to adequately review annual settlements filed with the court.

## Auditee's Response

*The Public Administrator provided the following written response:*

*My duties to provide placement and care for my many clients must take priority over other tasks at times. I will work to ensure bills are paid timely and correctly and inventory items are properly reported in annual settlements.*

*The Associate Circuit Judge indicated he would continue to follow the statutes and the canons of judicial ethics.*

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## 7. Recorder of Deeds Bank Reconciliations

The Recorder of Deeds failed to prepare formal bank reconciliations and identify month end liabilities since January 2010. At our request in March 2012, the Recorder of Deeds performed bank reconciliations for the months of February 2010 through March 2012. The Recorder of Deeds prepared a list of liabilities as of December 31, 2011, totaling \$16,456; however the available cash balance was \$16,525, resulting in a \$69 unknown liability. Formal bank reconciliations including complete and accurate lists of liabilities should be prepared monthly. Liabilities should be reconciled to the book balance to ensure records are in balance and sufficient funds are available for payment of all liabilities. Any differences between the monthly lists of liabilities and reconciliations should be investigated and resolved.

## Recommendation

The Recorder of Deeds prepare monthly bank reconciliations. In addition, a list of liabilities should be prepared and compared to the reconciled cash balance. Any differences should be investigated and resolved.

## Auditee's Response

*The Recorder of Deeds provided the following written response:*

*End of month procedure will be to download the monthly bank statement on the last day of each month to prepare the end of month checks and reports, including a list of liabilities, and review and reconcile the bank statement with Quicken software before the monthly report is turned over to the Treasurer, County Clerk and County Commission. Any differences will be investigated and resolved, as advised.*



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Management Advisory Report - State Auditor's Findings

## **8. Minutes, Personnel Policies, and Sheriff's Revolving Fund**

County Commission minutes were not always sufficient or correct, the county's personnel policy manual has not been updated for changes approved by the County Commission, and the county has not established a Sheriff's Revolving Fund.

### **8.1 Minutes**

Minutes of the County Commission do not always include sufficient or correct information. The County Clerk failed to document votes to approve contracts signed and noted commissioners present and then later absent during the same meeting. Minutes also documented discussion with various individuals, but often failed to provide adequate identifying information (i.e., last name and title) and include the purpose of the discussion. The County Commission's review and approval at subsequent meetings did not identify some errors we noted. Inadequate minutes can lead to subsequent confusion as to Commission intentions and possible incorrect interpretation of Commission actions by the general public or other outside entities.

The minutes are the official record of actions taken by the Commission. Care should be taken to ensure minutes are accurate and provide sufficient information to identify issues discussed and decisions made, and ensure understandability by outside users. Careful review and approvals of prior meeting minutes is important to ensure sufficiency and accuracy.

A similar condition was noted in our prior audit report.

### **8.2 Personnel policy**

The county has made numerous changes to its personnel policies over the past several years, but the personnel policy manual has not been updated. For example, while the personnel policy manual allows compensation for travel in a personal vehicle at the rate of 25 cents per mile, the rate established and paid by the county during the 2 years ended December 31, 2011, was 50 cents per mile. Due to numerous discrepancies, the personnel policy manual is no longer printed and distributed to new employees, and is not relied upon for use by county officials or the County Commission. An up to date and clear personnel policy manual is necessary to ensure compliance and equitable treatment of employees.

### **8.3 Sheriff's Revolving Fund**

The Sheriff's Revolving Fund has not been established as required by state law, and fees collected for processing concealed weapon permit applications or renewals were deposited to the Law Enforcement Sales Tax Fund. By not separately tracking concealed weapon permit fees collected and spent, the county cannot determine at a point in time the balance in the Law Enforcement Sales Tax Fund that represents restricted concealed weapon monies or demonstrate compliance with statutory provisions regarding allowable uses. The Sheriff collected approximately \$15,210 for concealed



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weapon permit applications during the year ended December 31, 2011. No fees were collected prior to this period.

Section 571.101, RSMo, authorizes the Sheriff to charge non-refundable fees for processing a first time application and a renewal fee for a concealed weapon permit which shall be paid to the county treasury to the credit of the Sheriff's Revolving Fund.

## Recommendations

The County Commission:

- 8.1 Ensure meeting minutes include sufficient information necessary to provide a complete and accurate record of significant matters discussed and actions taken. In addition, the County Commission should improve its review and approval process over prior meeting minutes.
- 8.2 Update the personnel policy manual.
- 8.3 And the County Treasurer establish the Sheriff's Revolving Fund as required by state law.

## Auditee's Response

*The County Commission provided the following written responses:*

- 8.1 *The County Clerk has already implemented the recommendations of the auditors to include sufficient information necessary to provide a complete and accurate record of all significant matters discussed and action taken during meetings. Steps have been taken to improve the procedure for reviewing and approval process over prior meeting minutes.*
- 8.2 *It is the intention of the Commission with assistance from the County Clerk to update the personnel policy manual next year. The County Clerk has already contacted the Missouri Association of Counties and other counties for a sample policy to use as a model and through our liability insurance carrier we have access to a human resource specialist to assist us in this project.*
- 8.3 *The County Clerk has been in contact with the Sheriff's Department regarding this fund. Steps are being taken to amend the 2012 budget to add the Sheriff's Revolving Fund and transfer the fees collected in 2012 from LEST to the Sheriff's Revolving fund.*

*The County Treasurer provided the following written response:*

- 8.3 *I have established a Sheriff's Revolving Fund; and when the budget is amended, fees will be transferred out of LEST into this fund.*



Polk County  
Management Advisory Report - State Auditor's Findings

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## 9. Senate Bill 40 Board

The Senate Bill 40 (SB40) Board does not have written contracts with entities to which it provides funding and does not require the entities to submit financial reports or detailed information to enable the Board to adequately monitor the use of monies provided. During the 2 years ended December 31, 2011, the Board provided funding totaling \$111,214.

Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. In addition, to ensure funds are properly expended, financial reports documenting how funds are spent should be obtained and reviewed by the Board.

A similar condition was noted in our prior audit report.

### Recommendation

The SB40 Board enter into written contracts for funding requests that clearly detail the services to be performed and the compensation to be paid or benefits received, and require contractors to provide financial reports documenting how funds provided are spent.

### Auditee's Response

*The SB40 Board provided the following written response:*

*We will enter into written contracts for all funding requests and require financial reports be submitted and reviewed.*

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# Polk County

## Organization and Statistical Information

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Polk County is a county-organized, third-class county. The county seat is Bolivar.

Polk County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 77 full-time employees and 13 part-time employees on December 31, 2011.

In addition, county operations include a Senate Bill 40 Board, Senior Citizens' Services Board, and Law Enforcement Restitution Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Denzil Roberts, Presiding Commissioner	\$	30,380
Billy Dryer, Associate Commissioner		28,380
Kyle Legan, Associate Commissioner		28,380
Carol Poindexter, Recorder of Deeds		43,000
Melinda Robertson, County Clerk		43,000
Kenneth R. Ashlock, Prosecuting Attorney		109,366
Steven Bruce, Sheriff		48,720
Vonna Bauer, County Treasurer		43,000
Roy Harms, County Coroner (1)		17,538
Barbara Davolt, Public Administrator		43,000
Debbi McGinnis, County Collector, year ended February 29,	43,000	
Carolyn Page, County Assessor, year ended August 31,		43,000
John R. M. Nelson, County Surveyor (2)		

(1) Compensation includes a onetime payment of \$2,538 pursuant to Section 58.095.5, RSMo.

(2) Compensation on a fee basis.



Polk County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011.

A Homelessness Prevention and Rapid Re-housing Program grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services and \$55,543 was passed through to Polk County. The county spent \$55,543 during the 2 years ended December 31, 2011, on this program which provides homelessness prevention assistance to households that would otherwise become homeless and rapid re-housing assistance to persons who are homeless.





**Thomas A. Schweich**  
Missouri State Auditor

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# Montgomery County



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**October 2012**  
**Report No. 2012-125**

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of Montgomery County

Sheriff Controls and Procedures	Bank reconciliations were not completed for the inmate account for most of 2010 and 2011. In addition, as noted in our prior audit report, a monthly list of liabilities was not prepared and reconciled to the available cash balance for the fee or inmate accounts. When the Sheriff's office completed bank reconciliations and lists of liabilities at our request, there were unidentified funds totaling \$1,825 in the two bank accounts. Accounting procedures are not adequately segregated for the inmate account. In addition, the method of payment was not always documented for monies received and deposited. The Sheriff's office does not adequately safeguard cash refunds relating to U.S. Immigration and Customs Enforcement inmates, and there is no independent observation or verification to ensure the cash transactions actually took place. The Sheriff and the County Treasurer do not have proper controls and procedures in place to track, follow-up, and ensure timely collection of amounts billed to other entities for housing inmates and a complete record of accounts receivable is not maintained. The Sheriff's office does not compare its jail attendance records to the vendor's invoice for prisoner meals provided to ensure accuracy before making payment.
Property Tax System	The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books, so there is no independent review of the tax books prepared by the County Collector. The County Clerk's account book has not been updated for 2010 or 2011 activity, and neither the County Clerk nor the County Commission verifies the accuracy of the County Collector's monthly or annual settlements.
Payroll	Timesheets are not always signed by the employee, or approved and signed by the supervisor. As noted in our prior audit report, the Sheriff's office does not submit a complete record of time to the County Clerk for all employees. In addition, county policy is not clear as to when employees incur overtime, and the county may be paying more than necessary in overtime costs.
Vehicle and Fuel Use	The Sheriff's office did not always review and approve fuel invoices or reconcile invoices to fuel receipts or usage logs, and usage logs were not always reviewed for reasonableness of fuel and vehicle use. As noted in our prior audit reports, usage logs are not maintained for most Road and Bridge department vehicles and equipment, and the logs that are maintained are not always complete. The Road and Bridge department does not maintain bulk fuel inventory records or logs of fuel dispensed from bulk fuel tanks or reconcile fuel use to fuel purchased, and invoices are not adequately reviewed and approved.
Capital Assets	As noted in prior audit reports, capital asset procedures need significant improvement. Property records have not been updated for at least 10 years, and a physical inventory has not been conducted for at least 8 years.

Public Administrator Controls and Procedures	Of the 20 annual settlements required to be submitted in 2011, 6 were not filed timely or at all. Fees charged to some wards were not consistent and the Public Administrator does not document criteria used when determining the appropriate fee to charge.
Prosecuting Attorney Controls and Procedures	One clerk is responsible for receipting and recording monies and making deposits without supervisory review. Receipts are not always deposited intact or timely, and money orders are not restrictively endorsed immediately upon receipt. Monthly bank reconciliations are not performed and liabilities are not identified or reconciled to the available cash balance.
Closed Meeting Minutes	Closed County Commission meeting minutes do not always document matters discussed and actions taken, and the reasons for entering into closed meetings were not always specifically documented.
Computer Controls	Computer passwords are not changed periodically, and personnel in the County Collector's office do not keep their passwords confidential and are not locked out after a number of incorrect log-in attempts. Computer backups are completed daily in the County Clerk's office, but they override the prior day's information, and periodic testing of backups is not performed for most offices.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	Montgomery County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Montgomery County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Montgomery County

We have audited certain operations of Montgomery County in fulfillment of our duties under Section 29.230, RSMo. In addition, Casey-Beard-Boehmer PC, Certified Public Accountants, has been engaged to audit the financial statements of Montgomery County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Montgomery County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Denise Huddleston, MBA
Audit Staff:	Janielle Robinett
	April Campbell

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# Montgomery County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Sheriff Controls and Procedures**

Several weaknesses were noted with the controls and procedures in the Sheriff's office. The Sheriff's office maintains two bank accounts, including an inmate account for depositing and tracking inmate monies, and a fee account for depositing and tracking bond monies and inspection, permit, and civil fees. During the 2 years ended December 31, 2011, deposits into the inmate account totaled approximately \$212,000, and deposits into the fee account totaled approximately \$671,000.

##### **1.1 Bank reconciliations and liabilities**

Monthly bank reconciliations were not completed for the inmate account for most months during 2010 and 2011, and neither an outstanding check list nor a book balance were maintained on this account. In addition, as noted in our prior audit report, a monthly list of liabilities was not prepared and reconciled to the available cash balance for the fee or inmate accounts. At our request, the Sheriff's office completed all outstanding bank reconciliations on the inmate account, prepared a liabilities list for each account as of March 31, 2012, and compared liabilities to reconciled bank account balances. The comparison resulted in unidentified funds of approximately \$1,400 in the fee account and \$425 in the inmate account.

The preparation of detailed monthly bank reconciliations is necessary to ensure accounting records are in balance and to identify errors in a timely manner. Additionally, liabilities should be identified monthly and reconciled to cash balances to ensure sufficient cash is available for payment of all amounts due.

##### **1.2 Accounting procedures**

Accounting procedures are not adequately segregated for the inmate account. One clerk is responsible for receiving, recording, depositing, and disbursing monies; however, there is no supervisory review of inmate account activity. As a result, there is less assurance transactions are accounted for properly, accounting records are complete and accurate, and monies are disbursed properly. In addition, the method of payment is not always documented for monies received and deposited into both the inmate and fee accounts. As a result, the composition of receipts (cash, check, money order) cannot be reconciled to the composition of deposits.

To ensure monies are accounted for properly, accounting procedures should be adequately segregated and the composition of monies received should be documented and reconciled to the composition of deposits.

##### **1.3 Inmate refunds**

The Sheriff's office does not adequately safeguard cash refunds relating to U.S. Immigration and Customs Enforcement (ICE) inmates. ICE inmates are issued cash refunds to return any monies they were carrying at the time of arrest prior to being deported or transferred to another facility. Monies held for ICE inmates is often significant. According to the Sheriff's office, ICE prefers the inmates be given monies in cash upon release because they are frequently deported to another country. When ICE inmates are prepared



## Montgomery County Management Advisory Report - State Auditor's Findings

for transfer or deportation, a check is written to "cash" and cashed at a local bank. The same clerk then posts the refund to the computer system and the jailer releasing the inmate disburses the funds and has the inmate sign documentation stating their property was received. However, although there is an increased risk over cash refunds, there is no independent observation or verification to ensure the cash transactions actually took place.

To ensure monies are adequately safeguarded, another employee of the jail should document their observation of the cash refund transaction.

### 1.4 Accounts receivables

The Sheriff and County Treasurer do not have proper controls and procedures in place to track, follow-up, and ensure timely collection of amounts billed to other entities for housing inmates. During the 2 years ended December 31, 2011, the county received approximately \$1.4 million for housing inmates.

A complete record of accounts receivable is not maintained and neither the Sheriff nor the County Treasurer are able to determine the total amount of unpaid bills. As a result, proper follow-up procedures cannot be performed to ensure timely collection of amounts due. Bills for housing inmates are prepared and recorded in the Sheriff's accounting system and a copy of each bill is submitted to the County Treasurer to be used to reconcile to payments received. However, discrepancies were noted between the Sheriff's and County Treasurer's records, and procedures are not adequate to determine the amounts that remain unpaid. The County Treasurer does not report to the Sheriff when payment is made and does not always timely report when payment is not received. Furthermore, the Sheriff does not routinely communicate with the County Treasurer to determine if follow-up procedures need to be performed. Additionally, the Sheriff periodically waives charges; however, this is not always recorded in the accounting system, reasons for the waiver are not adequately documented, and the County Treasurer is not always informed.

Accurate and complete records of accounts receivable, and improved communications, would allow the County Treasurer and/or Sheriff to properly follow-up on all amounts owed and ensure amounts owed are collected on a timely basis.

### 1.5 Prisoner meals

Meals served at the county jail are not adequately tracked. The Sheriff's office contracts with an outside company to prepare and serve prisoner meals on site, and approximately \$321,000 was paid for this service during the 2 years ended December 31, 2011. An employee of the contracted company that prepares and serves the meals is responsible for tracking the number of meals served each day. This information is then used to bill the county on a monthly basis. Although a jailer compares the invoices to the record of meals served, it is not reconciled to the jail's independent





Montgomery County  
Management Advisory Report - State Auditor's Findings

attendance records to ensure accuracy. Without a comparison of vendor billings to jail attendance records, there is less assurance the amount billed is accurate before payment is made.

## Recommendations

The Sheriff:

- 1.1 Complete monthly bank reconciliations timely and maintain an outstanding check list and book balance for all accounts. In addition, the Sheriff should reconcile cash balances to monthly lists of liabilities. Any discrepancies should be investigated and resolved.
- 1.2 Segregate receipt procedures, indicate method of payment on all receipts, and reconcile the composition of receipts to deposits.
- 1.3 Establish procedures to verify cash refund transactions to ICE inmates.
- 1.4 Work with the County Treasurer to develop procedures to track, monitor, and pursue collection of costs for boarding inmates.
- 1.5 Perform a review of meals served to independent jail records to ensure invoices are accurate before payment is made.

## Auditee's Response

*The Sheriff provided the following responses:*

- 1.1-
- 1.3 *We agree and will implement the recommendations.*
  - 1.4 *We will work with the County Treasurer to ensure a complete record of accounts receivable is being maintained.*
  - 1.5 *Served meals were and are being independently reviewed by the jail administrator. In addition, we will review monthly records of attendance to invoices before payment is made.*

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## 2. Property Tax System

The County Clerk and County Commission do not provide adequate monitoring over property tax system activities. During the 2 years ended February 29, 2012, the County Collector processed approximately \$23.2 million.

### 2.1 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector extends and prints the current and delinquent tax books and verifies the accuracy of the amounts to be collected. Because the County Collector is responsible for collecting property tax monies, good internal controls require someone independent of



## Montgomery County Management Advisory Report - State Auditor's Findings

that process be responsible for generating and testing the accuracy of the property tax books. A review of the tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to perform adequate reviews of the tax books by an independent person may result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

### 2.2 Account book and annual settlements

In addition to not preparing or testing the accuracy of the tax books, neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector. Although the County Clerk previously maintained an account book with the County Collector summarizing property tax transactions each month, the account book has not been updated for any 2010 or 2011 activity. In addition, neither the County Clerk nor the County Commission performs procedures to verify the accuracy of the County Collector's monthly or annual settlements. As a result, there is an increased risk of loss, theft, and misuse of property tax monies, and less assurance the monthly and annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records summarizing all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records should be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

## Recommendations

- 2.1 The County Clerk prepare the current and delinquent tax books, or at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be adequately documented.
- 2.2 The County Clerk maintain a complete and updated account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.



Montgomery County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The County Commission and County Clerk provided the following written responses:*

- 2.1 *The County Commission and County Clerk will attempt to adequately verify the tax books as required.*
- 2.2 *The County Clerk will maintain accurate records summarizing all tax charges to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts.*

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## 3. Payroll

Controls and procedures over timesheets and overtime need improvement. During the 2 years ended December 31, 2011, county payroll costs were approximately \$5.1 million, which included approximately \$283,000 in overtime.

### 3.1 Timesheets

Timesheets are not always approved or submitted to the County Clerk. The county's personnel policy requires each elected official or supervisor to submit timesheets for all employees to the County Clerk.

- Timesheets are not always signed by the employee, or approved and signed by the supervisor. For some offices reviewed, supervisors only approved timesheets when overtime was incurred, some did not approve timesheets at all, and some indicated they reviewed timesheets but did not document their approval.
- As noted in our prior audit report, the Sheriff's office does not submit a complete record of time to the County Clerk for all employees. Rather, the Sheriff's office submits a pay period report detailing overtime incurred and leave used; however, this report is not always complete and it excludes regular hours worked.

Without detailed time records signed by the employee and indicating the supervisor's review and approval, there is less assurance that timesheets and leave records are complete and accurate.

### 3.2 Overtime

County policy does not clearly document when overtime is earned by employees. In addition, the county includes nonworking hours (vacation, sick leave, and holidays) in total hours worked when determining the amount of overtime earned by employees. According to the County Clerk, overtime begins when total hours exceed the employee's normal work week, which typically ranges from 32 to 40 hours per week. Although the personnel policy states that all overtime hours will be paid at one and one-half times the hourly rate of pay for each hour of overtime worked, the policy does not indicate when overtime will be earned. Without clear overtime policies, the county may be paying more than necessary in overtime costs.



Montgomery County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

- 3.1 The County Clerk ensure timesheets are prepared, properly signed and approved, and submitted for all employees.
- 3.2 The County Clerk and County Commission revise the personnel policy to address when overtime will be earned.

## Auditee's Response

*The County Commission and County Clerk provided the following responses:*

- 3.1 *The County Clerk shall develop a process to be more diligent in requiring employee and supervisor signatures on timesheet documents, and work with the Sheriff's office to ensure a complete record of time worked is submitted.*
- 3.2 *The Montgomery County Policy Handbook has been updated to reflect what constitutes "time worked". As several county departments have different periods of time that constitute a work week, the Commission will have department administrators and supervisors accurately review the timesheets prior to submittal.*

---

## 4. Vehicle and Fuel Use

The county has not established effective monitoring procedures for vehicle and fuel use. During the 2 years ended December 31, 2011, the Sheriff's office expended approximately \$83,800 and the Road and Bridge department expended approximately \$270,400 to fuel 48 vehicles and 20 equipment items.

Fuel is purchased by the Sheriff's office either on account with a local gas station or with fuel cards from various local vendors. Road and Bridge department employees dispense fuel into department vehicles and equipment from seven bulk fuel tanks located throughout the county.

- During 2010 and 2011, the Sheriff's office did not always review and approve fuel invoices or reconcile invoices to individual fuel receipts or usage logs before submitting invoices to the County Clerk's office for payment. In addition, usage logs maintained in the vehicles were not always reviewed for reasonableness of fuel and vehicle use. According to personnel, a new system was established in January 2012 and fuel use is now reviewed.
- The Road and Bridge department does not maintain bulk fuel inventory records or logs of fuel dispensed from bulk fuel tanks or reconcile fuel use to fuel purchased, and invoices are not adequately reviewed and approved before payment is made. As similarly noted in our prior audit report, usage logs are not maintained for most Road and Bridge department vehicles and equipment and the logs that are maintained are not always complete.



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Montgomery County  
Management Advisory Report - State Auditor's Findings

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Maintenance and review of mileage/use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, is necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details to allow the county to effectively monitor vehicle and equipment use and fuel costs.

## Recommendation

The County Commission and Sheriff establish adequate records and procedures to effectively monitor vehicle, equipment, and fuel use. In addition, bulk fuel inventory records should be maintained, invoices should be reviewed and approved, and fuel use should be reconciled to fuel purchases. Any significant discrepancies should be investigated.

## Auditee's Response

*The County Commission and County Clerk provided the following written response:*

*The Commission will ask all Road and Bridge employees to spend more time filling out an individual fuel log for all motorized equipment. The Commission will assign the task of comparing usage to purchased fuel as yet another duty to the Road and Bridge Overseer.*

*The Sheriff provided the following response:*

*With the new fuel card system, this finding has been implemented.*

---

## 5. Capital Assets

As similarly noted in several prior audit reports, procedures to account for capital assets need significant improvement. Property records have not been updated for at least 10 years and a physical inventory has not been conducted for at least 8 years. According to the County Clerk, the county attempted to perform a physical inventory in 2004; however, property records were not updated to reflect any discrepancies identified. In addition, the county does not always affix property identification tags to county property, and dispositions were not adequately approved.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, evaluate the accuracy of records, provide a basis for determining proper insurance coverage, and deter and detect theft.

## Recommendation

The County Commission and County Clerk work with other county officials to maintain complete and accurate inventory records, conduct annual



Montgomery County  
Management Advisory Report - State Auditor's Findings

physical inventories, and implement procedures for tracking and tagging capital asset purchases and approved dispositions throughout the year.

## Auditee's Response

*The County Commission and County Clerk provided the following written response:*

*As stated in the exit review, all items owned by Montgomery County with a value of \$1,000 or more are recorded with the county insurance property coverage. The Commission has requested from all elected officials and department administrator/supervisors an updated inventory of their respective office. This information is to be submitted to the Commission on or before October 10, 2012. The information will be entered into a spreadsheet format and saved electronically as well as hard paper copy for easy access and review.*

## 6. Public Administrator Controls and Procedures

Some controls and procedures in the Public Administrator's office need improvement. During the 2 years ended December 31, 2011, the Public Administrator was the court-appointed personal representative for 33 individuals (wards) and decedent estates of the Associate Circuit Court, Probate Division. The Public Administrator was required to complete an annual settlement for 20 of these wards and estates.

### 6.1 Annual settlements

The Public Administrator does not always file annual settlements timely. The Probate Clerk notifies the Public Administrator approximately 30 days prior to annual settlement due dates. Completed annual settlements and supporting documentation are submitted to the Probate Clerk for review and approval by the Associate Circuit Judge. Of the 20 annual settlements required to be submitted in 2011, 6 (30 percent) were not filed timely, or at all. Two annual settlements were filed over 60 days late and four annual settlements had not been filed as of April 2012 and were at least 60 days past due.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file with the court an annual settlement for each ward or estate. Timely and accurate settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

### 6.2 Estate fees

Fees charged to some wards of the Public Administrator were not consistent and charges were not always adequately supported. Additionally, the Public Administrator does not document criteria used when determining the appropriate fee to charge. The Public Administrator petitions the court to approve fees from the accounts of active wards. Since the Public Administrator receives a salary, any fees approved by the court are deposited in the county treasury. The Public Administrator's office turned



## Montgomery County Management Advisory Report - State Auditor's Findings

over fees to the General Revenue Fund totaling \$16,880 during the 2 years ended December 31, 2011.

Fees are determined based on a flat fee of 5 percent of annual receipts, as set by the Judge, but can vary as appropriate. According to the Public Administrator, rates charged also depend on the availability of funds and the amount of work performed for the ward during the year; however, the Public Administrator did not maintain supporting documentation to explain the criteria used for any inconsistent fees charged.

Without documenting criteria used when determining the appropriate fee to charge, and without adequate supporting documentation, there is less assurance fees charged to each ward are fair, reasonable, and properly assessed.

### Recommendations

The Public Administrator:

- 6.1 File complete and accurate annual settlements in a timely manner.
- 6.2 Document the criteria used for any variances in the fee amounts charged to wards.

### Auditee's Response

*The Public Administrator provided the following written responses:*

- 6.1 *According to information from the auditors, six of the settlements are from early 2011 and January and February 2012. I can not dispute the fact that they were late and the only reason I can give is that I also have my own business as a tax preparer/payroll accountant and that is a really busy time of year. The auditor's test was performed in April 2012 and all settlements were filed by May 2012. I will make every attempt to file annual settlements timely in the future.*
- 6.2 *There are times that either there is no money in the estate to pay 5 percent and/or there has been very little time spent on said estate. The judge approves settlements with fees to the county. I will create documentation when there is a variance from the 5 percent amount paid to the county from estates.*

## 7. Prosecuting Attorney Controls and Procedures

As similarly noted in our prior audit report, controls and procedures related to receipts and bank reconciliations need improvement. The Prosecuting Attorney's office processed approximately \$88,200 in fees and restitution payments during the 2 years ended December 31, 2011.

In March 2011, the Prosecuting Attorney, Lee Elliott, resigned from his position and the Presiding Circuit Judge appointed Nichole Volkert as



## Montgomery County Management Advisory Report - State Auditor's Findings

Special Prosecuting Attorney for Montgomery County. In November 2011, the County Commission hired an Assistant Prosecuting Attorney.

### 7.1 Receipting procedures

Receipting procedures are not adequately segregated. One clerk is responsible for receipting and recording monies and making deposits. There is no supervisory review to help ensure monies received were actually deposited. In addition, receipts are not always deposited intact or timely and money orders are not restrictively endorsed immediately upon receipt. Most monies received by the Prosecuting Attorney's office are in the form of money orders. However, when cash is received, the cash is deposited immediately while the remaining money orders on hand are held until the month-end deposit. According to personnel, money orders are restrictively endorsed when deposits are prepared.

Proper segregation of duties and receipting and depositing procedures are needed to adequately safeguard receipts and reduce the risk of loss, theft, or misuse occurring without detection.

### 7.2 Bank reconciliations and liabilities

Bank reconciliations are not performed monthly and liabilities are not identified or reconciled to the available cash balance. At our request, the Prosecuting Attorney's office prepared bank reconciliations and lists of liabilities for 2010 and 2011. The reconciled bank balance as of December 31, 2011, agreed to the book balance; however, the outstanding check list included nine checks totaling approximately \$450 that had been outstanding for at least a year. Because bank reconciliations had not been prepared, the Prosecuting Attorney's office was unaware of the old outstanding checks; therefore, follow-up procedures had not been performed. In addition, while preparing the requested lists of liabilities, the Prosecuting Attorney's office determined \$477 received during September 2011 had not been properly disbursed.

Monthly reconciliation procedures and identification of liabilities are needed to ensure accounting records are in balance, identify errors timely, and ensure sufficient cash is available for payments of amounts due.

## Recommendations

The Special Prosecuting Attorney and Assistant Prosecuting Attorney:

- 7.1 Ensure all receipts are deposited intact and timely, and money orders are restrictively endorsed immediately upon receipt.
- 7.2 Prepare bank reconciliations monthly and reconcile available cash balances to monthly listings of liabilities. Any differences should be investigated and resolved.





Montgomery County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Special Prosecuting Attorney provided the following response:*

*I agree and we are taking steps to implement the recommendations.*

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## 8. Closed Meeting Minutes

Closed County Commission meeting minutes do not always document matters discussed and actions taken. In addition, the reasons for entering into closed meetings were not always specifically documented. Without adequate minutes of closed meetings, it is unclear whether closed session discussion was limited to allowable topics.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made. Additionally, the Sunshine Law requires open minutes document the reason for closing a meeting and limits discussions in closed meetings to only those specifically allowed by law.

## Recommendation

The County Commission prepare complete and adequate minutes for all closed meetings.

## Auditee's Response

*The County Commission and County Clerk provided the following written response:*

*The Montgomery County Commission is well aware of Sunshine Law, Chapter 610, RSMo, and does make every effort to comply with the law. The County Clerk will maintain Commission meeting records in the detailed method recommended as to comply with the recommendations of the Missouri State Auditor's Office.*

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## 9. Computer Controls

Controls over county computer systems are not sufficient to prevent unauthorized access or to restore key systems in the event of a disaster or systems failure.

### 9.1 User IDs and passwords

Passwords for most county computer systems are not changed on a periodic basis to ensure confidentiality. In addition, personnel in the County Collector's office do not keep their passwords confidential and users are not locked out after a certain number of incorrect log-in attempts. The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system.

To control access, passwords should be kept confidential and updated periodically. Additionally, to help protect computer files, security controls should be implemented to detect incorrect log-in attempts after a certain number of tries. A log of the incorrect attempts should be reviewed periodically by an authorized official.



Montgomery County  
Management Advisory Report - State Auditor's Findings

## 9.2 Backup data

The County Clerk does not maintain sufficient backup data or store backups at an off-site location. In addition to County Clerk system records, the County Clerk's backups include property tax system records for both the County Assessor's and County Collector's offices. According to the County Clerk's office, backups are completed daily, however, they override the prior day's information. As a result, data from previous days could not be retrieved if necessary. Furthermore, periodic testing of backups is not performed for most offices. Failure to store daily computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer.

To help prevent loss of information and ensure all essential county information and computer systems can be recovered, backups should be stored at a secure off-site location for a sufficient period of time, and periodic testing of backups performed.

## Recommendations

The County Commission:

- 9.1 Work with county officials to ensure passwords are confidential and periodically changed to prevent unauthorized access to county computers and data. Additionally, security controls should be established to detect and report a certain number of incorrect log-in attempts.
- 9.2 Work with the County Clerk and other county officials to ensure backups are stored in a secure off-site location and retained for a sufficient period of time. In addition, procedures should be established to periodically test backup data.

## Auditee's Response

*The County Commission and County Clerk provided the following written response:*

*The Montgomery County Commission does understand the increasing need for IT services, data security, and off-site data storage. The Commission has recently sought the services of an IT service provider to complete an onsite assessment of the county's current technological status. The report of such assessment has been delivered to the Commission. Further assessing will provide the Commission with areas needing improvements. The Commission has begun the process to seek qualifications from an IT service provider that would provide both in-house and on-line IT services, data security, and off-site data storage.*

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# Montgomery County

## Organization and Statistical Information

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Montgomery County is a county-organized, third-class county. The county seat is Montgomery City.

Montgomery County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 85 full-time employees and 10 part-time employees on December 31, 2011.

In addition, county operations include the Senate Bill 40 Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Ryan D. Poston, Presiding Commissioner	\$	28,501
Rich Daniels, Associate Commissioner		27,060
John W. Noltensmeyer, Associate Commissioner		27,060
Sheila See, Recorder of Deeds		41,000
Pamela A. Cartee, County Clerk		41,000
Nicole Volkert, Special Prosecuting Attorney (1)		37,692
Lee Elliott, Prosecuting Attorney (1)		10,741
Robert Davis, Sheriff		45,000
Donna Huenefeld, County Treasurer		41,000
David Colbert, County Coroner		13,000
Ann Scarlet, Public Administrator		25,000
Anita L. Sullivan, County Collector, year ended February 29,	41,000	
Jerome P. Overkamp, County Assessor , year ended August 31,		41,000

(1) Lee Elliott resigned in March 2011 and Nicole Volkert was appointed by the Presiding Circuit Judge as Special Prosecuting Attorney for Montgomery County.

### Financing Arrangements

The county entered into a lease agreement with the Montgomery County, Missouri Public Facilities Authority, a not-for-profit corporation, on August 1, 1994. The terms of the agreement called for the corporation to issue bonds to be used to construct the Montgomery County Jail and for the bank to lease the jail back to the county for payments totaling the principal



Montgomery County  
Organization and Statistical Information

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and interest due on the outstanding bonds. Payments are made from the Capital Improvements Fund funded by sales tax revenues. The term bonds portion of the original issue was refinanced on June 1, 1998, and again on January 1, 2011. The bonds are scheduled to be paid off in 2014. The remaining principal and interest due on the bonds at December 31, 2011, was approximately \$991,734.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

Montgomery County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



# Thomas A. Schweich

Missouri State Auditor

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## Carter County



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October 2012  
Report No. 2012-124

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of Carter County

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### Collector Controls and Procedures

The County Collector cannot account for at least \$3,817 in property tax receipts received but not deposited between November 2010 and December 2011. As noted in prior audit reports, significant weaknesses exist in accounting controls and procedures. Cash and check receipts totaling at least \$2,498 were received and not deposited, and check overpayments of \$1,319 were received and the corresponding cash in this amount was not deposited. The method of payment is not accurately recorded in the property tax system and the composition of receipts is not reconciled to the composition of deposits, receipts are not deposited timely or intact, and lists of liabilities are not prepared and compared to the reconciled bank balance. The County Collector does not always distribute collections timely. Bank interest and surtax monies collected over several years had not been distributed as of May 31, 2012. The County Collector does not always refund tax overpayments or issue checks for refunds, and did not realize a \$3,015 overpayment received in December 2010 needed to be refunded to the taxpayer until April 2012 when audit staff brought this to her attention. In addition, the County Collector does not adequately manage and document partial payments.

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### Property Tax System

As noted in our prior audit reports, controls over the property tax system need improvement. Neither the County Clerk nor the County Commission verify the accuracy of the County Collector's annual settlements, and the County Collector does not have a detailed list to support approximately \$63,000 in taxes owed for the 2006 tax year or prior as reported on the annual settlement. In addition, the County Clerk does not maintain a complete and accurate account book.

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### Financial Condition

The General Revenue Fund is in poor financial condition. The ending cash balance was \$85,966 at the end of 2009 and is budgeted to be only \$641 at the end of 2012, and does not take into account significant liabilities totaling approximately \$198,000.

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### Sheriff's Controls and Procedures

As noted in our prior audit report, weaknesses in accounting controls and procedures exist in the Sheriff's office. Accounting duties are not adequately segregated, and no independent or supervisory reviews of the accounting records are conducted. Sheriff's office receipts are kept in a box accessible to all employees and visitors. The numerical sequence of receipt slips is not accounted for properly, monies received are not recorded and deposited timely, checks are not promptly restrictively endorsed, and the method of payment is not always indicated on receipt slips so the composition of receipts cannot be reconciled to the composition of deposits. Bank reconciliations for the Sheriff's account were not always performed and a reconciliation has not been performed for the petty cash account since it was opened in May 2009. The Sheriff's bank account showed negative balances for April 2011 and December 2011. The Sheriff maintains calendar sales profits in a petty cash bank account, but state law does not allow these monies to be held outside the county treasury. Property seized while former Sheriffs were in office has not been identified, tagged, or entered into the online property system implemented in November 2011.

Disbursements	Controls over disbursements need improvement. As noted in our prior audit report, the county needs to improve its procedures for obtaining bids for regularly used goods and services, and the county did not bid for some significant purchases. Neither the Road and Bridge department nor the Sheriff's department adequately record and monitor vehicle and fuel use. Fuel logs are not reconciled to bulk fuel inventory or fuel purchase records.
Personnel Policies and Procedures	As noted in our prior audit report, the county lacks adequate written personnel policies and procedures, and the county's policy manual has not been updated since May 2008. The Sheriff's office and County Clerk are not adequately tracking compensatory leave balances and overtime, and the county's personnel policy does not address the number of hours to be worked each day, whether employees qualify for paid overtime or compensatory time, or the number of hours required before an employee earns benefits.
Capital Assets	As noted in our prior audit report, the county's capital asset records are in need of improvement. The County Clerk is responsible for maintaining overall county property records; however, no elected official conducted an annual inventory in 2010 or 2011. County property records are not regularly updated for property purchases or dispositions.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	Carter County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Carter County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Carter County

We have audited certain operations of Carter County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Carter County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Carter County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	Marc Applegate
	Toni Wade

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# Carter County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Collector Controls and Procedures**

Despite similar concerns noted in our prior audit reports, significant weaknesses continue to exist in the County Collector's accounting controls and procedures. Between November 2010 and December 2011 property tax receipts totaling at least \$3,817 were received but not deposited. The County Collector's office processed property tax receipts of approximately \$4.9 million during the 2 years ended February 29, 2012.

As a result of the significant control weaknesses identified below and in MAR finding number 2, there is little assurance all property tax receipts were deposited and accounted for properly.

##### **1.1 Undeposited receipts**

Cash and check receipts totaling at least \$2,498 were received and were not deposited, and check overpayments of \$1,319 were received and corresponding cash in this amount was not deposited. There are no records to support refunds were made for six overpayments totaling \$548. One overpayment for \$771 was refunded 2 months after cash was withheld. The County Collector could not explain why cash received was not deposited, and indicated some refund records were discarded.

Property tax payments are posted to the property tax system and receipts are issued from the system. Other miscellaneous receipts including merchant licenses, partial property tax payments, and duplicate receipt payments are recorded in various other methods such as handwritten on the daily report or on sticky notes. Receipts are primarily processed by the County Collector. A part-time clerk assists the Collector during the busy months of November and December and in the County Collector's absence. The Collector prepares all deposits and is responsible for all reconciliation procedures.

Deposit totals should agree to the daily batch report from the property tax system plus any additional miscellaneous receipts received. A comparison of daily batch reports and other receipt records to daily deposits showed numerous instances where the composition of the deposit did not match the composition of receipts. We obtained additional supporting documentation for selected deposits and determined more details regarding the discrepancies as discussed below. Also see the Supporting Documentation for Undeposited Cash Receipts Schedule at the end of this report.

- Eleven checks totaling \$1,265 received between November 2010 and November 2011 were not recorded, and were substituted into deposits for recorded cash receipts that were not deposited. Five checks totaling \$125 received for merchant licenses in November 2010 were deposited, but not recorded. One check totaling \$230 was included in a December 2010 deposit and not recorded into the system until the following day. One check totaling \$215 received in January 2011 was not recorded, and cash for this amount and an additional \$234 was withheld from the deposit. In addition, three checks totaling \$488 received in February 2011 were deposited, but not recorded. The Collector could not provide



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any documentation or receipts related to these February 2011 payments. One August 2011 check payment totaling \$207 was deposited; however, the property tax system does not show a payment received and the taxes due are still included in the delinquent tax book. This August 2011 deposit was short \$210 cash in total.

- In December 2011, three transactions totaling \$671 were recorded as \$0 tendered on daily batch reports; however, the report reflected the tax bill as paid and the amounts were included in collection totals. The Collector indicated this was a system error. Due to this error, the deposit total should have equaled the total collections amount rather than the amount tendered on the daily batch report. Instead, the checks paid for the three transactions were included in the daily deposits, and cash equaling the amount of the checks was not deposited and deposit amounts were equal to the lesser tendered amount.
- A check overpayment of \$225 was received in December 2011 and cash in this amount was not deposited. The Collector had no record of a refund.
- The November 7, 2011, deposit was \$100 less than recorded receipts. It appears a \$100 cash partial payment was not included in this deposit.

In addition to the amounts noted above, we identified an additional \$548 in property tax overpayments received between December 2010 and December 2011 and cash in this amount was not deposited. The Collector does not record overpayments or refunds in the property tax system, and indicated she withholds cash from deposits to obtain money orders for refunds. There are no records to support refunds were made for these overpayments. See additional discussion of refund procedures in section 1.5. A \$771 duplicate real estate tax payment was received in December 2010. The check was deposited, and cash for the same amount was withheld from the deposit. The duplicate payment was not refunded to the taxpayer until 2 months later when the taxpayer inquired about the multiple payments.

Inadequate controls and the absence of proper oversight by the County Commission and County Clerk, as discussed in the remainder of this finding and MAR finding number 2, allowed undeposited receipts to occur without detection.

### 1.2 Receipting and depositing

Procedures related to receipting and depositing need significant improvement. As a result, some receipts were not accounted for properly.

- The method of payment was not accurately recorded in the property tax system for numerous transactions and the composition (cash, check, and money orders) of receipts recorded in the system is not reconciled to the composition of deposits. We noted numerous instances where the



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composition of receipts in the system differed from the composition of the corresponding deposit. We reviewed supporting documentation for selected deposits and determined some differences were due to check substitutions for cash. Other differences were due to entry errors, cash withheld from deposits and the Collector entering entire transactions as one method of payment when multiple methods were received. The County Collector indicated the property tax system does not accept multiple methods of payment.

- Receipts are not deposited intact or timely. The Collector indicated cash is withheld from deposits to make refunds. Further, if the County Collector receives post-dated checks or checks for the wrong amount she may hold the individual check or may hold the entire deposit. We noted one check totaling \$1,093 received on December 17, 2010, was not deposited until December 22, 2010. The County Collector stated the check was held because the mailed check was post-dated, and she chose not to send the check back. In addition, monies totaling \$56,443 received on December 23, 2011, were not deposited until January 10, 2012, because the County Collector received a check with the incorrect amount and held the entire deposit until a check for the correct amount was received.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of property tax monies received will go undetected. Properly recording method of payment, reconciling receipt composition to deposit composition, and intact and timely depositing are necessary to ensure receipts are adequately safeguarded and reduce the risk of loss, theft, or misuse of funds.

### 1.3 Liabilities

Lists of liabilities are not prepared and compared to the reconciled bank balance. The County Collector deposits all receipts into one bank account. The receipts include personal and real estate taxes, merchant licenses, surtax, utility taxes, interest, tax sale proceeds, and protested taxes.

While the County Collector prepares monthly bank reconciliations, the County Collector does not prepare a list of liabilities and compare the list to the reconciled cash balance. The County Collector prepared a list of liabilities as of February 29, 2012, and her total amount was \$164,442, which included February 2012 taxes to be distributed, bank interest, surtax, protested taxes, partial tax payments, and a refund due to a taxpayer. The reconciled cash balance totaled \$167,599, exceeding identified liabilities by \$7,747. We identified additional liabilities totaling \$2,111 from overpayments not refunded and other payments not distributed, reducing the discrepancy to \$5,636. However, due to the County Collector's failure to record some overpayments and partial payments (see sections 1.5 and 1.6) it is likely additional unidentified liabilities exist.



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Without regular comparison of liabilities to the cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained to provide assurance that bank and book balances have been properly reconciled, and that book balances are accurately stated.

## 1.4 Distributions

Some collections were not distributed timely. Our review of the distributions made by the County Collector noted the following:

- Bank interest earned between March 2008 and February 2012, totaling \$13,874, had not been distributed as of May 31, 2012.
- Surtax collected between March 2008 and October 2010, totaling \$20,238, had not been distributed as of May 31, 2012. In November 2010 the County Collector began disbursing surtax collections monthly because the new tax system allowed for monthly distributions.
- As of May 31, 2012, the County Collector had not disbursed 2009 protested taxes to the taxpayer totaling \$4,590. The protested tax case was settled by the State Tax Commission in March 2011. After the settlement, the taxpayer inquired about the 2010 tax refund and the County Collector refunded this portion of the protested taxes. The County Collector stated she did not remember to also reimburse the 2009 protested amount to the taxpayer. In addition, at the time of payment the Collector indicated she did not separately identify the tax payment as protested in the tax system and it was included in the amount distributed to the political subdivisions.

Timely distributions of property tax collections to the political subdivisions are important because most political subdivisions, especially school districts, rely heavily on property taxes to fund their operations. In addition, untimely distributions combined with the other concerns noted in the County Collector's office, increases the risk of theft or misuse of funds.

## 1.5 Refunds

The County Collector does not always refund tax overpayments or issue checks for refunds. The County Collector indicated when an individual overpays their taxes, cash is taken from daily receipts and a money order is obtained at no cost from the bank and mailed to the individual. The County Collector stated there are also instances when the taxpayer requests a refund immediately and cash is taken from daily receipts for the refund. However, the County Collector did not maintain records of the refunds given.

One taxpayer mistakenly paid \$3,150 (the assessed valuation of their personal property) when the actual payment due was \$136, resulting in an overpayment of \$3,015. The overpayment was made in December 2010. We brought the overpayment to the attention of the County Collector and a refund was made in April 2012.



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Further, we noted two mortgage companies paid \$771 in real estate taxes on behalf of the taxpayer for the same property in December 2010. The taxpayer was refinancing the property, and both mortgage companies paid the taxes. A refund was only issued to the taxpayer in February 2011 after the taxpayer contacted the County Collector. Other overpayments were noted during our audit (see section 1.1) and the County Collector did not maintain documentation of the refunds. The County Collector stated some money order receipts for refunds were discarded.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all refunds should be made timely and in the form of a check. Refunded amounts should be supported by adequate documentation.

### 1.6 Partial payments

Procedures and records related to the collection of partial payments are not adequate. The County Collector accepts partial payments from taxpayers who are unable to pay their tax bills in full. Partial payments are held in escrow in the County Collector's bank account until the tax bill is fully paid, whereupon the County Collector records the taxes as paid in the property tax system. Total partial payments recorded on the partial payment ledger were \$9,559 as of February 29, 2012.

Partial payments are not consistently recorded on the partial payment ledger and manual receipt slips are not always issued for monies received. A spreadsheet is maintained as a partial payment ledger; however, the spreadsheet is not accurate or complete and does not always agree to manual receipt records. The spreadsheet only lists the taxpayer and the amount paid and does not include the date of the payment, total amount of taxes due, total amount paid, or remaining balance. The County Collector wrote some partial payment receipts on daily batch reports or on attached notes; however, this was not consistently done and did not always agree to information in manual receipt records or on the partial payment ledger.

Without accurate and detailed records for all partial payments collected and balances due, there is little assurance partial payments are properly handled and recorded. A properly maintained partial payment account ledger is crucial in the process of identifying liabilities of the County Collector.

## Recommendations

The County Collector:

- 1.1 And the County Commission investigate unaccounted for receipts and ensure all receipts are recorded and deposited.
- 1.2 Accurately record the method of payment in the property tax system, reconcile the composition of recorded receipts to the composition of bank deposits, investigate differences, and retain documentation of these reconciliations. In addition, the County



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- Collector should ensure receipts are deposited intact in a timely manner.
- 1.3 Prepare detailed monthly lists of liabilities, reconcile the list to the reconciled bank balance, and investigate any differences.
  - 1.4 Distribute collections of interest, surtax, and protested taxes in a timely manner.
  - 1.5 Pay refunds by check in a timely manner and maintain a complete record of all refunds issued.
  - 1.6 Ensure all partial payments activity and balances are accounted for properly in the partial payment ledger and pre-numbered receipt slips are issued for all partial payments received.

## Auditee's Response

*The County Commission provided the following response:*

- 1.1 *The County Commission plans to investigate the unaccounted for receipts. In addition, they plan to request daily, weekly, and monthly reconciliations for receipts and deposits from the County Collector as needed.*

*The County Collector provided the following written response:*

- 1.1 *When reconciling my account on the computer with Quicken I did not realize that even though the end of the report says a difference of zero, it is not an adequate way to balance. I am now doing it the way the auditors showed me. I am working to find out what the extra money in my account is for and I will refund and disburse it. I am also reviewing the transactions listed by the auditors. I will no longer hold out cash for refunds. Devnet has added the function to enter merchant licenses into the system. I am in the process of refunding overpayments.*
- 1.2 *We are making sure to do this. Before, when I was gone and a daily batch was opened and the default was not changed then every payment was counted as a check. Now, when I have to be gone I open a batch before I go and make sure the default is changed. I also look at the batch summary each day and if it does not match to checks and cash I investigate each transaction to see if we missed a check number. If so, I write it on the batch report so the correct summary shows. We have lots of split transactions and there is no way to adequately show those as split where someone pays part check and cash. In those cases if we put in a check number the entire transaction is counted as a check. If we leave as cash, all is*





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*counted as cash. I am making sure I go in and write on the daily batch report now how much was cash and how much was check. I am doing better and will continue to see that deposits are made in a timely manner. The bank has a cutoff time each day and I will make sure I am there before that or if I cannot be I will note the reason on the batch report and deposit slips.*

- 1.3 *I am now doing this as the auditors have showed me.*
- 1.4 *I have done this already. I was waiting to try and find the proper way of disbursing surtax since it appears it has not been properly done since before my time as Collector as I have been using spreadsheets from the previous Collector all these years. This is now done in my system instead of a separate spreadsheet so it can be turned over each month.*
- 1.5 *I am now paying all refunds by check per auditors instructions and I am documenting all and putting notes on the daily batches. Now the system has been corrected to allow us to enter the total amount of checks if it is over the payments and the overpay amount goes into a refund column on the batch summary page. I am also writing the check number of the refund beside the amount on the batch report with names.*
- 1.6 *I am now keeping an updated spreadsheet of all partial payments. Devnet is working to make the system able to accept partial payments instead of having to wait until the taxpayers have paid the full amount for each year. I am writing on the daily batches the partial pays so there is a manual receipt number on the daily batches and monthly spreadsheets.*

## 2. Property Tax System

As similarly noted in our prior audit reports, controls over the property tax system need improvement.

The County Clerk and the County Commission do not perform procedures to verify the accuracy of the County Collector's annual settlements and some delinquent tax information on the annual settlements is not supported by adequate documentation. The County Collector does not have a detailed listing to support approximately \$63,000 in taxes owed for the 2006 tax year or prior and the County Clerk and Commission have not required the County Collector to provide supporting documentation for the amounts included on annual settlements. The County Collector changed property tax systems in 2007 and updated information on both the old and new systems until October 2007. The County Collector can no longer access the information in the old system and indicated the previous software company has declined to help retrieve the information.



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Further, the County Clerk does not maintain a complete and accurate account book summarizing all property tax transactions each month. The County Clerk's 2010 tax year account book spreadsheet did not include collection totals for August 2010. The County Clerk stated this was an oversight.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. The account book prepared by the County Clerk should be used to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and should also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

## Recommendation

The County Clerk maintain a complete and accurate account book with the County Collector, and the County Clerk and County Commission use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements. In addition, the County Commission, County Clerk, and County Collector should work with the former programmer to obtain detailed records maintained on the previous property tax system.

## Auditee's Response

*The County Commission provided the following response:*

*We plan to request daily, weekly, and monthly reconciliations for receipts and deposits from the County Collector as needed. We will discuss and consider if other records are available prior to contacting the former programmer.*

*The County Clerk provided the following response:*

*I will try to include all information on the account book.*

*The County Collector declined to provide a response.*

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## 3. Financial Condition

The General Revenue Fund is in poor financial condition. The county has historically maintained a low General Revenue Fund balance; however, the cash balance does not take into account significant liabilities totaling approximately \$198,000. The following table reflects actual receipts, disbursements, and ending cash balances of the General Revenue Fund over the last 4 years, as reported in the county's audited financial statements and 2012 budget document:



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		Year Ended December 31,			
		2012	2011	2010	2009
		Projected	Actual	Actual	Actual
Beginning balance	\$	44,396	37,043	85,966	147,435
Receipts		904,018	822,577	1,054,197	802,559
Disbursements		947,773	815,224	1,103,120	864,028
Ending balance	\$	641	44,396	37,043	85,966

In 2010, the county paid court judgments totaling over \$171,000 for cases resulting from the underpayment of the salary of three county Sheriff's since 1985. In addition, the county reached agreements in 2011 with 11 other current and former elected officials to reimburse a total of \$92,856 for salary underpayments between 2006 and 2010. Eight officials agreed to be paid in installments. The county has outstanding liabilities of \$57,213 through 2014 for these underpayments.

In addition, on November 15, 2010, the County Commission approved a loan of \$141,648 from the Road and Bridge Fund to the General Revenue Fund to pay one of the lawsuit judgments noted above. Although the county has an agreement to repay the loan, Road and Bridge Fund monies are restricted for certain purposes per Section 137.555, RSMo. The county made an interest payment in 2011 and has budgeted a loan payment for 2012.

It is essential the County Commission address the county's financial condition both in the immediate and long-term future. Reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of revenue, and closely monitoring county budgets are necessary to improve the county's financial condition.

## Recommendation

The County Commission closely monitor the county's financial condition, take necessary steps to improve the financial condition of the General Revenue Fund, and refrain from loaning monies from restricted funds.

## Auditee's Response

*The County Commission provided the following response:*

*The county did not believe it had any other options to pay the lawsuit judgments other than to borrow from the Road and Bridge Fund. We plan to continue to monitor the county's financial condition.*



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## 4. Sheriff's Controls and Procedures

As similarly noted in our prior audit report, weaknesses in accounting controls and procedures exist in the Sheriff's office. The Sheriff's office processed approximately \$50,000 in 2011 and \$52,000 in 2010 in civil fees, concealed weapon permits, bonds, summons fees, and other receipts.

### 4.1 Segregation of duties

Accounting duties are not adequately segregated. The Chief Dispatcher handles Sheriff's account transactions and another dispatcher handles petty cash account transactions. Each dispatcher is responsible for receiving, recording, and disbursing all monies; maintaining accounting records; writing and signing checks; preparing deposit slips; and preparing month-end bank reconciliations for their respective accounts. Checks for each bank account require only one signature. No independent or supervisory reviews of the accounting records are performed.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of the accounting records should be implemented. Further, dual signatures would help provide assurance checks are written only for appropriate disbursements.

### 4.2 Receipting and depositing

Numerous weaknesses were noted in the procedures used to account for monies received.

- Monies are not adequately secured in the Sheriff's office. All monies are maintained in a metal box in the dispatching area and all employees have access to the box. Although the box is locked, the key is easily accessible to employees. Further, employee visitors are allowed access to the dispatching area and the door was often propped open allowing easy access to this area.
- The Sheriff's office does not account for the numerical sequence of receipt slips. Receipt books are not used in sequential order for the civil fees and bond monies. Two receipt books with the same sequence of numbers were used consecutively from September 2010 to October 2011. In addition, three concealed weapon permit receipt slips selected for review were missing and original copies of voided receipt slips are not maintained.
- Monies received are not recorded and deposited in a timely manner, checks are not restrictively endorsed immediately upon receipt, and the method of payment is not always indicated on receipt slips. As a result, the composition of receipts cannot be reconciled to the composition of deposits. Receipt slips are not issued until a deposit is prepared. During a cash count on January 26, 2012, we noted four checks dated between January 17 and January 20, 2012 were not recorded, and these checks



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were not deposited until January 26, 2012. The Chief Dispatcher indicated most monies are deposited approximately every 3 to 4 days.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Proper receipting, recording, and depositing procedures are necessary to ensure all receipts are handled and accounted for properly.

#### 4.3 Bank reconciliations

Monthly bank reconciliations were not always prepared for the Sheriff's or petty cash bank accounts. Bank reconciliations for the Sheriff's account were not performed for March, September, October, or November 2011. The Sheriff's office has not prepared formal bank reconciliation for the petty cash account since the account was opened in May 2009. Further, Sheriff's bank account reconciliations showed negative balances of \$18 for April 2011 and \$40 for December 2011. The negative balances were due to check purchase charges and making disbursements prior to depositing the corresponding receipts.

Timely preparation of monthly bank reconciliations is necessary to ensure accounting records are in balance and to identify errors in a timely manner. Without reconciliation procedures, there is less assurance receipts and disbursements are properly handled and recorded.

#### 4.4 Petty cash bank account

The Sheriff maintains profits from calendar sales in the petty cash bank account outside of the county treasury and uses these funds to purchase various items for inmates or Sheriff's office use. Some purchases made from the petty cash account are reimbursed by the county. This account was opened in May 2009 by the former Sheriff with \$680 in calendar sales receipts and \$1,000 from the General Revenue Fund. The Sheriff's office primarily uses monies from the account to pay for breakfast items for inmates; however, this account has also been used to pay for handgun classes and ammunition.

Maintaining funds outside the county treasury circumvents the appropriation process and the checks and balances system in place for other county funds. Due to the lack of oversight of this account, former Sheriff Adams was able to make purchases which do not appear reasonable and necessary. These expenditures included ATM withdrawals totaling \$801, three checks written for cash totaling \$90, and meal purchases of \$55 that were not supported by adequate documentation. The current Sheriff has limited the use of the account, and no unreasonable purchases were noted since he took office in June 2011.

There is no statutory authority allowing the Sheriff to hold county monies outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to



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pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

### 4.5 Seized property

Controls over seized property need improvement. The Sheriff's office did not maintain any property records until an online system was implemented in November 2011 and only property seized since the current Sheriff took office in June 2011 has been entered into the system. Property seized while former Sheriffs were in office, including numerous weapons, do not have tags identifying the case number or original owner and have not been entered into the system. The Sheriff indicated he has made attempts to identify the owners of some seized property and is currently working with the Prosecuting Attorney to obtain authorization to sell or destroy unidentified seized property.

Inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, are necessary to ensure all items are accounted for properly. Further, Section 542.301, RSMo, provides requirements for the disposition of unclaimed seized property. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper use or access.

## Recommendations

The Sheriff:

- 4.1 Adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented. Further, the Sheriff should require dual signatures on all checks.
- 4.2 Ensure all monies are adequately secured, checks are restrictively endorsed immediately upon receipt, monies are recorded and deposited timely, official prenumbered receipt slips are issued for all monies received and the numerical sequence is accounted for properly, original copies of voided receipt slips are maintained, the method of payment is documented, and the composition of receipts is reconciled to the composition of deposits.
- 4.3 Prepare bank reconciliations monthly.
- 4.4 Transfer the balance of the petty cash bank account to the County Treasurer and close the account.



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- 4.5 Maintain complete and accurate inventory records of all seized property items. Further, the Sheriff should continue to identify seized property and obtain written authorization to dispose of items.

## Auditee's Response

*The Sheriff provided the following response:*

- 4.1 *I now review all monthly bank statements and accounting reports. In addition, I have ordered dual signature checks.*
- 4.2 *I am currently reviewing a new system to replace the metal box. In addition, I have ordered receipt books which are in numerical order and all voided receipt slips are now maintained in the book. Lastly, we plan to do a daily audit of the receipts collected in the office. By doing the daily audit, it will allow receipts to be recorded and deposited in a more timely manner.*
- 4.3 *Bank reconciliations are prepared monthly and I now review the monthly bank reconciliation for timeliness and reasonableness.*
- 4.4 *The petty cash bank account is no longer used and all disbursements are made by the Treasurer. In addition, we no longer sell calendars and a fuel card is used for all prisoner transports.*
- 4.5 *I am still working on identifying cases and owners of the untagged seized property. I am still working with the Prosecuting Attorney to obtain authorization to sell or dispose of other untagged property.*

## 5. Disbursements

Controls and procedures over disbursements including bidding and fuel and vehicle use need improvement.

### 5.1 Bidding

As similarly noted in our prior audit report, the county's procedures to obtain bids for regularly used goods and services are not sufficient, and the county did not bid for some significant purchases. The County Commission compiles a list of goods and services that the county may need throughout the year and publishes the list annually in the local newspaper. The list is vague and does not include detailed bid specifications that would allow a vendor to effectively bid. The County Clerk indicated there is very little response to the list and the county does not re-advertise or formally solicit bids if a response is not received. In addition, the following items were not included on the advertised list and the county did not solicit bids for these items or sufficiently document why fuel and gravel purchase were considered sole source procurements:



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Item or Service	Cost
Fuel (2011 and 2010)	\$172,669
Gravel (2011 and 2010)	146,566
Road paving (2010)	115,136
Road oil (2010)	16,997
Tires (2010)	16,828
Loader repairs (2010)	15,259
Sheriff's office fire alarms and cameras (2010)	6,180

The county has not solicited bids for fuel for more than 25 years and continued to use the same vendor after that business was sold to new owners in 2010. The County Clerk stated they have not changed vendors because the vendor provides fuel tanks to the county. Failure to obtain bids for significant purchases may prevent the county from obtaining the best and lowest price for goods and services.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases and detailed, specific requests for bids ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

## 5.2 Vehicle and fuel use

Records and monitoring of vehicle and fuel use by the Road and Bridge and Sheriff's departments are not adequate. The county spent approximately \$173,000 on fuel during the 2 years ended December 31, 2011. Employees dispense fuel into vehicles and equipment from 4 unleaded and 2 diesel bulk fuel tanks located at the road and bridge facilities. Five of the six tanks are metered and fuel logs are maintained at the tanks for the Road and Bridge department and by the dispatcher for the Sheriff's office. However, the logs are not reconciled to bulk fuel inventory or fuel purchase records.

Review of vehicle and equipment mileage/usage logs and bulk inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection.

## Recommendations

The County Commission:

- 5.1 Conduct a competitive procurement process for all major purchases and maintain documentation to support decisions. If it is not practical to obtain bids in a specific instance, or if sole source





Carter County  
Management Advisory Report - State Auditor's Findings

procurement is necessary, the circumstances should be thoroughly documented.

- 5.2 And the Sheriff establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use.

## Auditee's Response

*The County Commission provided the following response:*

- 5.1 *We plan to annually bid items that are not sole source, and to better document items that are sole source.*
- 5.2 *We will continue to monitor fuel usage for the road and bridge department*

*The Sheriff provided the following response:*

- 5.2 *I periodically review fuel for reasonableness. As a result, I have identified some issues and corrective measures have already been taken.*

## 6. Personnel Policies and Procedures

As similarly noted in our prior audit report, the county has not established adequate written personnel policies and procedures. The county's policy manual has not been updated since May 2008.

- The Sheriff's office and County Clerk are not adequately tracking compensatory leave balances and overtime. Prior to September 2011, actual time worked by Sheriff's deputies was not recorded and no overtime was earned. The current Sheriff requires deputies to record actual time worked on timesheets and the Sheriff provides overtime reports to the County Commission; however, these reports are not used by the County Clerk to track overtime or compensatory leave balances.
- The county's personnel policy does not address the number of hours to be worked by each employee in a normal day or work week, whether employees qualify for paid overtime or compensatory time, or the number of hours required before an employee earns benefits. As a result, it is not clear when employees should earn overtime or receive benefits.

The county's personnel policy states overtime will be paid for all hours worked over the ". . . normal day's work schedule." The County Clerk indicated courthouse employees are required to work 35 hours a week, while road and bridge employees are required to work 40 hours a week. Fringe benefits are given to employees who work more than 1,000 hours in a year.



Carter County  
Management Advisory Report - State Auditor's Findings

To ensure compliance with personnel policies and laws, the personnel manual should be periodically updated. Further, personnel policies should address overtime, compensatory leave, the length of a work day and week, and the number of hours required to receive benefits to ensure policies are uniformly enforced.

## Recommendation

The County Commission should ensure the personnel manual includes essential county policies and procedures and is periodically updated.

## Auditee's Response

*The County Commission provided the following written response:*

*We plan to review the personnel manual and to update as needed.*

---

## 7. Capital Assets

As similarly noted in our prior audit report, capital asset records are in need of improvement. The county does not regularly update its county property records for purchases and dispositions throughout the year, records do not contain sufficient detail, and the county does not complete annual physical inventories. At December 31, 2011, county property, excluding buildings, was valued at approximately \$7.7 million on the county insurance policy.

The County Clerk is responsible for maintaining overall county property records, and each department is responsible for performing annual physical inventories and submitting property lists to the County Clerk. The County Clerk does not request annual inventory reports, and no elected official conducted an annual inventory in 2011 or 2010. The County Clerk indicated she periodically updates property records if she becomes aware of purchases. However, these property records do not include sufficient detail including beginning asset balances or complete lists of additions and deletions.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur.

## Recommendation

The County Commission and County Clerk work with other county officials to ensure complete and accurate inventory records are maintained, and annual physical inventories are conducted and compared to overall county property records.

## Auditee's Response

*The County Commission and County Clerk provided the following response:*

*We will work on updating the inventory list.*

# Carter County

## Organization and Statistical Information

Carter County is a county-organized, third-class county. The county seat is Van Buren.

Carter County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 35 full-time employees and 3 part-time employees on December 31, 2011.

In addition, county operations include a Senate Bill 40 Board and Senior Citizens' Services Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
John Bailiff, Presiding Commissioner	\$	21,800
Eddie Ballard, Associate Commissioner (1)		21,005
Lynn Murdick, Associate Commissioner (1)		21,005
Pauline Peterman, Recorder of Deeds (1)		34,850
Rebecca Simpson-Gibbs, County Clerk (1)		31,531
Rocky Kingree, Prosecuting Attorney		38,000
Bruce Van Belle, Sheriff (2)		20,216
Richard Stephens, Interim Sheriff (3)		7,099
Tommy Adams, Sheriff (1) (5)		10,544
Margie Duncan, County Treasurer (1)		41,562
Dennis McSpadden, County Coroner (1) (4)		9,713
Mary Jo Sanders, Public Administrator		20,000
Jennifer Clark-Williams, County Collector (1), year ended February 29,	32,116	
George Meyers, County Assessor (1), year ended August 31,		32,187

- (1) 2011 compensation includes reimbursements for prior years' salary underpayments. See the following table for individual amounts.
- (2) Bruce Van Belle took office as Sheriff on June 13, 2011.
- (3) Richard Stephens served as Sheriff between April 5, 2011, and June 12, 2011.
- (4) Dennis McSpadden served as Interim Sheriff on April 3 and April 4, 2011.
- (5) Tommy Adams resigned on April 2, 2011.



Carter County  
Organization and Statistical Information

Salary underpayment  
reimbursements made in 2011

Officeholder	Amount
Eddie Ballard, Associate Commissioner	\$ 1,205
Lynn Murdick, Associate Commissioner	1,205
Pauline Peterman, Recorder of Deeds	4,850
Rebecca Simpson-Gibbs, County Clerk	1,531
Tommy Adams, Sheriff	1,000
Margie Duncan, County Treasurer	11,562
Dennis McSpadden, County Coroner	1,213
Jennifer Clark-Williams, County Collector	2,116
George Meyers, County Assessor	2,142

Financing  
Arrangements

The county entered into a lease agreement with a not-for-profit (NFP) on December 14, 2009. The terms of the agreement called for the NFP to obtain a United States Department of Agriculture Rural Development Agency guaranteed loan of \$160,000 for the purpose of purchasing and renovating the Justice Center and for the NFP to lease the building back to the county for payments totaling the principal and interest due on the 25 year loan and operating costs. The remaining principal due on the lease agreement at December 31, 2011, was \$150,009. Payments are made from the General Revenue Fund.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

Carter County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.

Carter County  
Supporting Documentation for Undeposited Cash Receipts

The following tables provide supporting information for the undeposited receipts discussed in MAR finding number 1.1

**Undeposited Cash Receipts**

Deposit Date	Recorded Cash Receipts**	Recorded Check Receipts**	Unrecorded Check Receipts	Total Receipts	Cash Deposited	Checks Deposited	Total Deposited	Cash Long/(Short)	Checks Long/(Short)	Total Difference	Receipt Numbers For Unrefunded Overpayments
11/19/2010	\$1,728	31,085	129	32,942	\$1,599	31,214	32,813	(\$129)	0	(129) (1)	2010000741
12/9/2010	1,043	111,560	649	113,252	394	112,209	112,603	(649)	0	(649) (2)	2010001500
12/14/2010	5,477	162,816	801	169,094	4,676	163,617	168,293	(801)	0	(801) (3)	2010001677
12/20/2010	1,668	112,644	60	114,372	1,608	112,704	114,312	(60)	0	(60) (4)	2010001961
1/7/2011	1,039	8,048	243	9,330	562	8,291	8,853	(477)	0	(477) (5)	2010003056
2/4/2011	581	185	488	1,254	96	670	766	(485)	(3)	(488) (6)	*
8/4/2011	210	1,062	207	1,479	0	1,269	1,269	(210)	0	(210) (7)	*
11/7/2011	979	23,608	6	24,593	873	23,614	24,487	(106)	0	(106) (8)	2011000153
12/12/2011	5,017	74,742	489	80,248	4,528	75,231	79,759	(489)	0	(489) (9)	2011001604
12/19/2011	2,706	46,827	38	49,571	2,668	46,865	49,533	(38)	0	(38) (10)	2011001862
12/22/2011	2,553	39,670	144	42,367	2,409	39,814	42,223	(144)	0	(144) (11)	2011002091
12/27/2011	9,265	148,512	226	158,003	9,039	148,738	157,777	(226)	0	(226) (12)	2011002191
<b>Grand Totals</b>	<b>\$32,266</b>	<b>760,759</b>	<b>3,480</b>	<b>796,505</b>	<b>\$28,452</b>	<b>764,236</b>	<b>792,688</b>	<b>(\$3,814)</b>	<b>(3)</b>	<b>(3,817)</b>	

**Explanation of Differences**

- (1) Unrecorded check receipts include 5 checks for \$25 each for merchant licenses and a check overpayment of \$4.
- (2) One check for \$230 was included in deposit but not recorded until 12/10/2010. In addition, one overpayments of \$419 was received from a mortgage company and there is no record of a refund.
- (3) Unrecorded check receipts include a duplicate real estate tax payment for \$771 and a check overpayment for \$30. The duplicate payment was not refunded until February 2011.
- (4) Unrecorded receipts include a check overpayment of \$60.
- (5) Unrecorded check receipts include one check from the USDA for \$215 and overpayments of \$28. The deposit was short an additional \$234 in cash.
- (6) Unrecorded check receipts include two checks dated 2/4/11 and one check without a date totaling \$488. The payments did not trace to daily batch reports or tax statements.
- (7) A check for \$207 was included in the deposit, the payment does not trace to daily batch reports, and the related tax bills are included on the delinquent tax books. The deposit was short an additional \$3 cash.
- (8) A partial payment cash receipt for \$100 does not appear to be deposited. The unrecorded check receipt is a \$6 check overpayment.
- (9) A check for \$489 was received and deposited; however, the property tax system shows the tax bill paid and no money tendered. Cash in this amount is missing from the deposit.
- (10) A check for \$38 was received and deposited; however, the property tax system shows the tax bill paid and no money tendered. Cash in this amount is missing from the deposit.
- (11) A check for \$144 was received and deposited; however, the property tax system shows the tax bill paid and no money tendered. Cash in this amount is missing from the deposit.
- (12) Unrecorded receipts include check overpayments of \$225, and \$1 received. The taxpayer confirmed a refund was not received for the \$225 overpayment.

\* No receipt numbers for unrecorded receipts

\*\* Amounts were adjusted for cash transactions entered on the batch report as checks.



**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Sedalia Contract License Office



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October 2012  
Report No. 2012-123

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Sedalia Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Accounting Controls and Procedures	The Sedalia contract license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Sedalia contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Sedalia Contract License Office

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and

Alana M. Barragán-Scott, Director  
Department of Revenue  
Jefferson City, Missouri  
and

Connie S. McLaughlin, Contract Agent  
Sedalia Contract License Office  
Sedalia, Missouri

We have audited certain operations maintained and established by the Sedalia Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls, and (2) no significant noncompliance with contractual and statutory provisions.

The accompanying Management Advisory Report presents our finding arising from our audit of the Sedalia Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Rachelle Thompson

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# Department of Revenue

## Sedalia Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **Accounting Controls and Procedures**

The Sedalia license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the Department of Revenue (DOR) approximately \$5 million.

The license office did not always accurately record the method of payment (cash, check, and credit card) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012. A review of these deposits identified transactions marked as paid with cash when actually paid for by check and/or credit card, checks recorded as credit card payments and/or cash, and credit card payments recorded as a cash and/or check payments.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

#### **Recommendation**

The Sedalia Contract License Office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits.

#### **Auditee's Response**

*In response to the State Auditor's Report concerning types of payment, we have implemented the following changes:*

*In addition to the signage currently in place, customers are now being asked if they will be using a credit/debit card before the transaction is begun, and are being verbally informed of the associated charges for using any type of card. This allows the customer to leave and get another form of payment if they so choose.*

*The other change we have implemented is that if the type of payment is entered incorrectly, at the finalization of the transaction, the error and correct type of payment is now being noted on the audit copy of the transaction, as well as on the cashier report. Although this is not required in policy, it would explain any discrepancies in the accounting reports as to type of payment received.*

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# Department of Revenue

## Sedalia Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In February 2009, the bid solicitation for the Sedalia Contract License Office was issued. The office was awarded to Connie S. McLaughlin,



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Department of Revenue  
Sedalia Contract License Office  
Organization and Statistical Information

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effective August 13, 2009. At June 30, 2012, the contract/office manager was Connie S. McLaughlin.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$4,993,444, and retained processing fees totaling \$284,841. Additionally, as part of the bidding process, the office agreed to return 6 percent of its processing fees to the state during the first contact year, 5 percent during the first renewal period, and 4 percent during the second and third renewal periods. For the year ended June 30, 2012, the office returned processing fees, totaling \$11,805, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Sedalia Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Potosi Contract License Office



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October 2012  
Report No. 2012-122

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Potosi Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Statutory Compliance	The Potosi contract license office does not always ask customers if they want to donate to the Blindness Education, Screening, and Treatment Program Fund or the Organ Donor Program Fund, or inform customers about the ability to be included in the organ donor registry and to consent to organ donation.
Accounting Controls and Procedures	The Potosi contract license office did not always prepare a Drivers Sale of Information Receipt for the sale of driving records, as required by Department of Revenue official procedures.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Potosi contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
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- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Potosi Contract License Office

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor

and

Alana M. Barragán-Scott, Director

Department of Revenue

Jefferson City, Missouri

and

Washington County Chamber of Commerce, Contract Agent

Potosi Contract License Office

Potosi, Missouri

We have audited certain operations maintained and established by the Potosi Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls and (2) noncompliance with a statutory provision.

The accompanying Management Advisory Report presents our findings arising from our audit of the Potosi Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and "A." as a middle initial.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Corey McComas, M.Acct., CPA
	Aaron Allen

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Department of Revenue  
Potosi Contract License Office  
Management Advisory Report - State Auditor's Findings

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**1. Statutory  
Compliance**

The Potosi license office does not always inquire if customers want to donate to the Blindness Education, Screening, and Treatment Program Fund (BESTPF) and the Organ Donor Program Fund (ODPF), or inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

During our audit work in the office, we noted office staff frequently did not ask customers if they wanted to donate to these funds, or inform customers about organ donations. A Yes or No to the donation questions must be recorded in the Titling and Registration Internet Processing System to complete transactions. As a result, staff appear to be automatically entering a No to these questions.

Sections 301.020 and 302.171, RSMo, require personnel to inquire whether customers registering a motor vehicle and applying for a driver's license are interested in making a \$1 donation to the BESTPF and to the ODPF. In addition, Section 302.171, RSMo, requires personnel to inform customers applying for a driver's license of the ability to be included in the organ donor registry and to consent to organ donation by completing the form on the back of the driver's license.

**Recommendation**

The Potosi Contract License Office ensure office staff inquire of each customer whether the customer is interested in making a \$1 donation to the BESTPF and to the ODPF, and inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

**Auditee's Response**

*Office staff were advised in staff meeting regarding the donation questions for both motor vehicle and driver license transactions. All staff understand Sections 301.020 and 302.171, RSMo, require questions be asked and have committed to doing so. Monthly reports are forwarded from DOR to my Field Coordinator and these are discussed each month. Office totals will continue to be monitored.*

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**2. Accounting  
Controls and  
Procedures**

The Potosi license office does not always prepare a Drivers Sale of Information Receipt for the sale of driving records. Driving records can be purchased for various reasons, such as an employer verifying an individual's driving record for business purposes.

During our review of receipts recorded for the deposits made from March 13 to March 15, 2012, we noted this receipt was not issued for driving record purchases. According to office personnel, a Drivers Sale of Information Receipt is only issued if requested by the customer.

Department of Revenue (DOR) official procedures require a Drivers Sale of Information Receipt be prepared for the sale of driving records. In addition,



Department of Revenue  
Potosi Contract License Office  
Management Advisory Report - State Auditor's Finding

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preparing a receipt helps ensure funds are safeguarded and reduces the risk of loss, theft, or misuse of funds.

## Recommendation

The Potosi Contract License office ensure a Drivers Sale of Information Receipt is issued for driving record purchases.

## Auditee's Response

*As of May 9 and 10, 2012, all office staff are completing form 4696, Drivers Sale of Information Receipt, with each sale of information. Form 4696 is then placed with audits for accounting accuracy.*

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# Department of Revenue

## Potosi Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In January 2011, the bid solicitation for the Potosi Contract License Office was issued. The office was awarded to the Washington County Chamber of



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Department of Revenue  
Potosi Contract License Office  
Organization and Statistical Information

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Commerce, effective April 4, 2011. At June 30, 2012, the contract and office managers were Adrienne Logsden and Ashley Nixon, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$1,649,825, and retained processing fees totaling \$109,596. Additionally, as part of the bidding process, the office agreed to return 1 percent of its processing fees to the state. For the year ended June 30, 2012, the office returned processing fees, totaling \$1,104, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Potosi Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



Thomas A. Schweich  
Missouri State Auditor

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## REVENUE

# Lebanon Contract License Office

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October 2012

Report No. 2012-121



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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Lebanon Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Prepayment Void Transactions	The Lebanon contract license office did not document customers' acknowledgements for three void transactions that occurred from March 13 to March 15, 2012, making it more difficult to ensure each transaction was voided for a valid reason.
Statutory Compliance	The Lebanon contract license office does not always ask customers if they want to donate to the Blindness Education, Screening, and Treatment Program Fund or the Organ Donor Program Fund, inform customers about the ability to be included in the organ donor registry and to consent to organ donation.
Accounting Controls and Procedures	The Lebanon contract license office did not always accurately record the method of payment (cash and check) and did not reconcile the composition of monies received to deposits.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Lebanon contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



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# Department of Revenue

## Lebanon Contract License Office

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor

and

Alana M. Barragán-Scott, Director

Department of Revenue

Jefferson City, Missouri

and

TM Management, Contract Agent

Lebanon Contract License Office

Lebanon, Missouri

We have audited certain operations maintained and established by the Lebanon Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) deficiencies in internal controls and (2) noncompliance with a statutory provision.

The accompanying Management Advisory Report presents our findings arising from our audit of the Lebanon Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in between.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Corey McComas, M.Acct., CPA
	Aaron Allen

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# Department of Revenue

## Lebanon Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **1. Prepayment Void Transactions**

The Lebanon license office needs to improve controls over prepayment void transactions.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided before payment is made. Valid reasons for prepayment void transactions include entries that contain an incorrectly spelled name, a transfer on death erroneously left off the title, an incorrect address, or date of purchase; and when customers lack sufficient funds to pay the transaction.

The license office did not obtain customer acknowledgment documentation for three void transactions that occurred from March 13 to March 15, 2012. The Department of Revenue (DOR) official procedures require customer acknowledgement of the void if a new transaction is not completed or if the new transaction shows a lesser amount due.

Obtaining customer acknowledgment and documenting the reason for voiding the transaction helps ensure the transaction actually was voided for a valid reason.

#### **Recommendation**

The Lebanon Contract License Office ensure all prepayment void transactions are supported by customer acknowledgment of and the reason for the void transaction.

#### **Auditee's Response**

*I agree that all prepayment voids should be supported by required documentation and I recognize that this is an area in which there is an increased risk of loss or fraud if not monitored. My staff strives to follow the DOR procedures established for prepayment voids, but I agree that there were a few instances where staff failed to obtain the customer acknowledgment. I have already taken steps to ensure that staff is more diligent to obtain and record all required information on a prepayment void. In rare instances where a customer declines to sign void paperwork or where the customer is not physically in the office to sign, clerks have been instructed to note the circumstances surrounding the lack of customer acknowledgment, obtain a witness signature (if available), and immediately review the void with me or the Assistant Manager to ensure a proper void of a transaction.*

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#### **2. Statutory Compliance**

The Lebanon license office does not always inquire if customers want to donate to the Blindness Education, Screening, and Treatment Program Fund (BESTPF) and the Organ Donor Program Fund (ODPF), or inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

During our audit work in the office, we noted office staff frequently did not ask customers if they wanted to donate to these funds, or inform customers



Department of Revenue  
Lebanon Contract License Office  
Management Advisory Report - State Auditor's Finding

about organ donations. A Yes or No to the donation questions must be recorded in TRIPS to complete transactions. As a result, staff appear to be automatically entering a No to these questions.

Sections 301.020 and 302.171, RSMo, require personnel to inquire whether customers registering a motor vehicle and applying for a driver's license are interested in making a \$1 donation to the BESTPF and to the ODPF. In addition, Section 302.171, RSMo, requires personnel to inform customers applying for a driver's license of the ability to be included in the organ donor registry and to consent to organ donation by completing the form on the back of the driver's license.

## Recommendation

The Lebanon Contract License Office ensure office staff inquire of each customer whether the customer is interested in making a \$1 donation to the BESTPF and to the ODPF, and inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

## Auditee's Response

*I agree that staff has not consistently inquired of customers these questions. I take statutory compliance very seriously. I met with staff immediately after learning of the auditor's observations and issued a directive to all employees that these questions must be asked of every customer and that deviation from that directive will not be tolerated.*

## 3. Accounting Controls and Procedures

The Lebanon license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the DOR approximately \$3.7 million.

The license office did not always accurately record the method of payment (cash and check) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012 and the May 2, 2012 deposit. A review of these deposits identified transactions marked as paid with cash when actually paid for by check, and checks recorded as cash payments. In addition, the method of payment is not always recorded on the Drivers Sale of Information Receipt issued for driving records.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

## Recommendation

The Lebanon City Contract License Office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits.



Department of Revenue  
Lebanon Contract License Office  
Management Advisory Report - State Auditor's Finding

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## Auditee's Response

*I agree that staff has not consistently recorded the correct method of payment when finalizing customer transactions and that this is an area in which there is an increased risk of loss or fraud if not monitored. I have already implemented steps to reduce or prevent these types of errors, such as ensuring that staff does not mark the type of payment until they actually have the payment in hand (for example, running the credit card first to determine if the credit card payment will be accepted before marking the payment type as credit card on the transaction) and ensuring that staff acknowledge and document any error on the daily cashier reconciliation report and notify management of the error.*

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# Department of Revenue

## Lebanon Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In March 2009, the bid solicitation for the Lebanon Contract License Office was issued. The office was awarded to TM Management, effective July 23, 2009. At June 30, 2012, the contract/office manager was Toni M. Morris.



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Department of Revenue  
Lebanon Contract License Office  
Organization and Statistical Information

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For the year ended June 30, 2012, the office collected and remitted to the DOR \$3,670,959, and retained processing fees totaling \$225,673. Additionally, as part of the bidding process, the office agreed to return 3 percent of its processing fees to the state during the first year of the contract, 4 percent during the first renewal period, and 5 percent during the second and third renewal periods. For the year ended June 30, 2012, the office returned processing fees, totaling \$11,255, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Lebanon Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.





Thomas A. Schweich  
Missouri State Auditor

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## REVENUE

# Jefferson City Contract License Office



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October 2012  
Report No. 2012-120

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Jefferson City Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Accounting Controls and Procedures	The Jefferson City contract license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Jefferson City contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Jefferson City Contract License Office

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Alana M. Barragán-Scott, Director  
Department of Revenue  
Jefferson City, Missouri  
and  
License & Verification Services, LLC, Contract Agent  
Jefferson City Contract License Office  
Jefferson City, Missouri

We have audited certain operations maintained and established by the Jefferson City Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls and (2) no significant noncompliance with contractual and statutory provisions.

The accompanying Management Advisory Report presents our finding arising from our audit of the Jefferson City Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Corey McComas, M.Acct., CPA
	Aaron Allen

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# Department of Revenue

## Jefferson City Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **Accounting Controls and Procedures**

The Jefferson City license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the Department of Revenue (DOR) approximately \$9.4 million.

The license office did not always accurately record the method of payment (cash, check, and credit card) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012. A review of these deposits identified transactions marked as paid by credit card when actually paid for by check and/or cash, and checks recorded as cash payments. In addition, the method of payment is not always recorded on the Drivers Sale of Information Receipt issued for driving records.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

#### **Recommendation**

The Jefferson City Contract License Office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits.

#### **Auditee's Response**

*In response to this finding, the Jefferson City License Office has reminded All Team Members of the importance to accurately record the correct form of payment each and every time with respect to the transactions we process. In the past we have on occasion allowed a guest to use one payment transaction, whether check or debit/credit card, for two services, i.e., a motor vehicle and driver's license transaction. If this situation occurs in the future, we will make a special note to ensure an accurate record is made of the "complete" transaction.*

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# Department of Revenue

## Jefferson City Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In January 2009, the bid solicitation for the Jefferson City Contract License Office was issued. The office was awarded to the License & Verification



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Department of Revenue  
Jefferson City Contract License Office  
Organization and Statistical Information

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Services, LLC, effective February, 25, 2010. At June 30, 2012, the contract and office managers were Gary Wilbers and Deidra Nichols, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$9,372,767, and retained processing fees totaling \$493,123. Additionally, as part of the bidding process, the office agreed to return 0.01 percent of its processing fees to the state. For the year ended June 30, 2012, the office returned processing fees, totaling \$50, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Jefferson City Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.





**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Bridgeton Contract License Office

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October 2012

Report No. 2012-119



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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Bridgeton Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law which became effective in 2009, the State Auditor may audit contract license offices.
Accounting Controls and Procedures	The Bridgeton contract license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits. Department of Revenue official procedures provide that the composition of monies received should be reconciled to the accounting records and deposits.
Federal Indictment	A former employee of the Bridgeton contract license office and three associates were indicted by a federal grand jury for providing driver licenses and non-driver identification cards to illegal aliens. Once license office management became aware of the fraudulent activities, it contacted the Department of Revenue, which began an investigation and contacted federal law enforcement officials. License office management has since hired experienced staff and conducted additional employee training, and is providing additional oversight and review.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Bridgeton contract license office did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Revenue

## Bridgeton Contract License Office

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor

and

Alana M. Barragán-Scott, Director

Department of Revenue

Jefferson City, Missouri

and

MT Services, Inc., Contract Agent

Bridgeton Contract License Office

Bridgeton, Missouri

We have audited certain operations maintained and established by the Bridgeton Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.
3. Evaluate actions taken in response to a federal indictment alleging a conspiracy to provide fraudulent identity documents to illegal aliens.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) a deficiency in internal controls (2) no significant noncompliance with contractual and statutory provisions and (3) no need for further action by the office related to the federal indictment other than to continue working with law enforcement officials.

The accompanying Management Advisory Report presents our findings arising from our audit of the Bridgeton Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and the middle initial "A" in the center.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Corey McComas, M.Acct., CPA
	Aaron Allen

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# Department of Revenue

## Bridgeton Contract License Office

### Management Advisory Report - State Auditor's Findings

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#### **1. Accounting Controls and Procedures**

The Bridgeton license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the Department of Revenue (DOR) approximately \$5.3 million.

The license office did not always accurately record the method of payment (cash, check, and credit card) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012, and the May 14, 2012 deposit. A review of these deposits identified transactions marked as paid with cash when actually paid for by check, and credit card payments recorded as checks. In addition, the method of payment is not always recorded on the Drivers Sale of Information Receipt issued for driving records.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

#### **Recommendation**

The Bridgeton Contract License Office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits.

#### **Auditee's Response**

*The office staff follows strict guidelines as to entering end of the day amounts and totals. The Bridgeton Office has reiterated the correct procedures and included reference to your findings in a handout to all staff on noting any discrepancies that may occur due to customers changing their mind or inadvertently entering amounts into the incorrect column. We have stressed the importance of noting at the bottom of the clerk's Cashier Reports any changes or reasons why the categories are not in compliance with the system totals. These actions should prevent any further errors on reporting end of day work totals.*

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#### **2. Federal Indictment**

A federal grand jury in the United States District Court for the Eastern District of Missouri indicted a former employee of the Bridgeton Contract License Office in February 2012. The former employee and three associates are charged with providing driver licenses and non-driver identification cards to illegal aliens.

The indictment alleges that between March 2010 and December 2011, individuals who were illegally in the United States were provided with counterfeit and stolen birth certificates and social security cards. The individuals presented the fraudulent documents to the former employee at the license office who then issued State of Missouri driver licenses and non-driver identification documents to the individuals. Those who received



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Department of Revenue  
Bridgeton Contract License Office  
Management Advisory Report - State Auditor's Finding

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driver licenses were not required to prove their ability to safely operate motor vehicles.

Once becoming aware of the fraudulent activities, license office management contacted the Department of Revenue (DOR). The DOR began an investigation and contacted federal law enforcement officials. The former employee and the associates were indicted on multiple charges including conspiracy, production of false identification documents and possession of 15 or more access devices. License office management has since hired experienced staff and provided additional training to employees. In addition, the Contract Manager is also working in the office full time to provide an additional level of oversight and review.

## Recommendation

The Bridgeton Contract License Office continue to work with law enforcement officials as needed during their investigation.

## Auditee's Response

*The Bridgeton License Office has always and will continue to work diligently with law enforcement when the need arises.*

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# Department of Revenue

## Bridgeton Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year
	\$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less
	\$5.00 exceeding three years
Notice of lien	\$2.50

In April 2009, the bid solicitation for the Bridgeton Contract License Office was issued. The office was awarded to MT Services, Inc., effective





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Department of Revenue  
Bridgeton Contract License Office  
Organization and Statistical Information

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December 24, 2009. At June 30, 2012, the contract and office managers were Mark Miles and Timothy Klott, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$5,278,173, and retained processing fees totaling \$285,179. Additionally, as part of the bidding process, the office agreed to return 5 percent of its processing fees to the state. For the year ended June 30, 2012, the office returned processing fees, totaling \$14,339, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Bridgeton Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.



# Thomas A. Schweich

Missouri State Auditor

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## Benton County

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October 2012  
Report No. 2012-118



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Benton County

County Sales Tax	As noted in our prior audit report, the county has not sufficiently reduced property taxes to offset sales taxes received, as required by state law. As of December 31, 2011, excess property tax collections were approximately \$146,500.
Transient Guest Tax	The County Commission has not established procedures to ensure all applicable businesses are collecting the transient guest tax and remitting it to the County Collector. To prevent the loss of tax revenue, the county should adequately monitor the collection of transient guest taxes.
Closed Meetings	The County Commission did not maintain minutes for 31 of the 33 closed meetings held in 2011 and 2010, as required by the Sunshine Law.
Sheriff's Controls and Procedures	At December 31, 2011, the Sheriff's bank account balance was \$1,418 less than needed to pay identified liabilities. The Sheriff's office does not maintain a complete and accurate list of month-end liabilities to be reconciled to the bank account balance. Receipts are not timely deposited, the method of payment is not always recorded correctly, and cash receipts totaling \$70 were not deposited. Accounting duties are not segregated, and an adequate supervisory review of accounting records is not performed, making it difficult to ensure all transactions are accounted for properly and assets are safeguarded. Concealed weapon permit application fees are credited to the county's General Revenue Fund because the Sheriff Revolving Fund has not been established as required by state law. Disbursements associated with the processing of the permits are not separately identified, so the monies may not be spent in accordance with statutory provisions.
County Collector's Controls and Procedures	Receipts are not deposited intact and the composition of receipts is not reconciled to the composition of deposits. Partial payments for bankruptcy cases are held in cash in envelopes, and no receipt slips are issued and no ledger is maintained. The County Collector collects property taxes for several cities but does not have updated written agreements to do so for some cities, and personally retains more commission on delinquent city taxes than allowed by contract. The County Collector continues to distribute surtax collections using percentages calculated for distributing the 1985 collections, and as a result, political subdivisions may not be receiving the proper allocation of surtax.
Prosecuting Attorney's Controls and Procedures	Accounting duties are not adequately segregated and an adequate supervisory review is not performed. Manual receipt slips are not reconciled to computerized receipt records, and audit staff identified instances where amounts posted in the computer did not agree with the amount recorded on the manual receipt slip. All clerks have the ability to post adjustments to the computerized accounting system without obtaining independent approval, which increases the risk of loss or misuse of funds. In October 2011, a defendant's balance was reduced \$13,343 without any supporting documentation. Bad check fees are not transmitted to the County Treasurer.

timely or intact, and money orders are not restrictively endorsed upon receipt. The collection summary report is not accurate, and during the 2 years ended December 31, 2011, the county disbursed \$385 more in Missouri Office of Prosecution Services fees than it collected.

Public Administrator's Procedures	The Public Administrator hires members of her family to perform duties associated with her wards and estates. Three members of her family were paid a total of \$2,351 between June 1 and July 21, 2011, to clean and prepare a ward's real and personal property for auction. The Public Administrator should avoid the appearance of a conflict of interest by consulting with the Probate Judge before hiring family members and maintaining documentation of other persons considered for the work.
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Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.
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In the areas audited, the overall performance of this entity was **Fair**.<sup>\*</sup> However, the audit revealed serious shortcomings within the Sheriff's department, County Collector's office, and the Prosecuting Attorney's office.

American Recovery and Reinvestment Act (Federal Stimulus)	Benton County did not receive any federal stimulus monies during the audited time period.
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<sup>\*</sup>The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Benton County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Benton County

We have audited certain operations of Benton County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Benton County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Benton County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Heather R. Stiles, MBA, CPA
Audit Staff:	Mariam Ahmedbani
	Lindsay Pearson

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# Benton County Management Advisory Report State Auditor's Findings

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## 1. County Sales Tax

Property tax reductions were not sufficient to offset sales taxes received resulting in excess property tax collections of approximately \$146,500 at December 31, 2011.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Benton County voters enacted a 1/2-cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet the 50 percent reduction requirement, and in the following year calculate any excess property taxes collected based upon actual sales tax collections. The county has not sufficiently reduced its General Revenue property tax levy to account for excess collections which have continued to accumulate over several years, although the county's calculations properly identify excess property tax collections from prior years. The following table shows the accumulation of excess property tax collections.

	Year Ended December 31,			
	2011	2010	2009	2008
Current year required property tax reduction	\$ 407,068	410,223	367,306	377,166
Actual property tax revenue reduction	374,985	366,505	359,679	384,802
(Under)/Over collection	32,083	43,718	7,627	(7,636)
Prior years (under)/over collection	114,501	70,783	63,156	70,792
Total property tax (under)/over collected	\$ 146,584	114,501	70,783	63,156

Reduction in property tax levies by 50 percent of sales tax revenue, including accumulated excess collections from prior years, is necessary to comply with state law and provisions voted by taxpayers.

A similar condition was noted in our prior audit report.

## Recommendation

The County Commission and County Clerk adequately reduce property tax levies for 50 percent of sales tax revenue and develop a plan to correct the accumulation of prior years' excess property tax collections.

## Auditee's Response

*The County Commission and the County Clerk provided the following response:*

*We have already taken action to reduce the county's property tax levy for 2012 to correct this issue.*

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## 2. Transient Guest Tax

Procedures have not been established to ensure all transient guest taxes are collected and quarterly tax reports are properly submitted by businesses. Transient guest taxes totaling over \$45,000 were collected during the year ended December 31, 2011.





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Benton County  
Management Advisory Report - State Auditor's Findings

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In April 2010, Benton County voters approved a 3 percent transient guest tax pursuant to Section 67.1003, RSMo, which provides for the collection of a tax on all charges for sleeping rooms paid by the transient guests of hotels and motels in the county. The proceeds from this tax are to be used to promote tourism in Benton County.

The County Commission established a seven-member Tourism Commission, which reports to the County Commission and oversees spending of tourism funds. The County Collector receives tax payments from local businesses and distributes the taxes monthly to the Benton County Development Corporation (BCDC) which administers the funds for the Tourism Commission. The County Collector withholds a 2 percent commission which is distributed to the county General Revenue Fund, and the BCDC withholds 8 percent as compensation for its services.

The County Commission has not established procedures to ensure all applicable businesses are collecting the transient guest tax and paying it to the County Collector. While the Tourism Commission has identified businesses responsible for collecting the transient guest tax and maintains a list of businesses filing quarterly reports and paying taxes, no follow up procedures are in place to ensure all taxes are collected and paid. Our review of transient guest tax collections for the four quarters ended October 31, 2011, noted 5 of the 22 (23 percent) businesses identified by the Tourism Commission had not submitted a transient guest tax report or payment since the inception of the tax.

To prevent the loss of tax revenue, the county should establish procedures to adequately monitor the collection of transient guest taxes. Such procedures may include ensuring quarterly transient guest tax reports and payments are submitted by all applicable hotels/motels, sending delinquent notices when needed, and reviewing transient guest tax reports for accuracy.

## Recommendation

The County Commission establish procedures to adequately monitor the collection of transient guest taxes.

## Auditee's Response

*The County Commission provided the following response:*

*We will discuss this issue with the Tourism Commission and the County Collector and establish procedures to monitor the collection of transient guest taxes.*

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## 3. Closed Meetings

The County Commission did not maintain minutes for 31 of the 33 closed meetings held in 2011 and 2010, as required by state law. Without minutes of closed meetings, there is no record of the discussion held or support for decisions made, and less assurance to the public that various statutory provisions were followed.



Benton County  
Management Advisory Report - State Auditor's Findings

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings. The minutes should provide sufficient detail of discussions to demonstrate compliance with statutory provisions and support important decisions made.

A similar condition was noted in our prior audit report.

## Recommendation

The County Commission ensure minutes are prepared and retained for all closed meetings.

## Auditee's Response

*The County Commission provided the following response:*

*We are now taking minutes of closed meetings.*

## 4. Sheriff's Controls and Procedures

At December 31, 2011, the Sheriff's bank account did not contain adequate funds to pay all liabilities. The shortage of \$1,418 occurred because of numerous control weaknesses, including inaccurate reconciliations, inadequate receipting and depositing procedures, and the lack of segregation of duties. Additionally, cash receipts totaling \$70 were not deposited. A shortage was also identified during our prior audit and procedures have not been put in place to ensure all monies received are accounted for properly. Further, concealed weapon permit fees are not placed in the proper fund.

The Sheriff's department collected approximately \$166,000 during 2011 and approximately \$245,000 during 2010.

### 4.1 Liabilities

Procedures are not in place to properly identify month-end liabilities and compare these liabilities to the reconciled bank account balance.

The Sheriff's secretary maintains a listing of cash bonds received that have not been disbursed to the Circuit Court; however, our review of the listing for December 31, 2011, noted it did not include all open bonds and included a bond that had previously been remitted to the Circuit Court. Additionally, this list is not compared to the reconciled bank balance to ensure adequate funds are available to pay all liabilities. At our request, an updated listing was prepared with identified liabilities totaling \$4,720; however, the reconciled bank balance was only \$3,302. The Sheriff and his secretary were unaware of the \$1,418 shortage and could not explain the reason for the difference.

To ensure records are in balance and sufficient cash is available for the payment of all liabilities, accurate monthly lists of liabilities should be prepared and compared to the reconciled bank balances. Further, to ensure all funds are accounted for properly, records should be reviewed to determine the reason for the \$1,418 shortage.



## Benton County Management Advisory Report - State Auditor's Findings

### 4.2 Receipts and deposits

Procedures are not in place to ensure all monies received are deposited. Cash receipts totaling \$70 were not deposited.

- Amounts deposited were less than amounts received for two deposits reviewed during 2011. Cash receipts totaling \$70 received in November (\$50) and December (\$20) could not be traced to a deposit. Receipt slips numbered 20125 through 20138 indicate \$1,795 was received in cash between November 20 and November 24, 2011, however, only \$1,745 in cash was deposited on November 28, 2011. Also, receipt slips numbered 20151 through 20172 issued between November 29 and December 5, 2011, reflect \$2,627 was received in cash, however, only \$2,607 in cash was deposited on December 7, 2011.
- Receipts are not deposited on a timely basis. For example, receipts received between October 20 and October 27, 2011, were not deposited until November 3, 2011, and included cash receipts totaling \$2,300.
- The method of payment is not always recorded correctly on receipt slips issued and the composition of receipts is not reconciled to the composition of deposits. In addition, although individual checks are listed on deposit slips, individual cash payments are not separately identified on deposit slips or on another record.

To ensure all monies collected are properly deposited, the method of payment should be correctly recorded, the composition of receipts should be reconciled to the composition of deposits, and deposits should be made timely. Further, to aid in the reconciliation process, the deposit slips or another record should indicate the individual receipt slips included in the deposit.

### 4.3 Segregation of duties

Accounting duties are not segregated, and an adequate supervisory review of accounting records is not performed. The Sheriff's secretary is primarily responsible for issuing receipt slips for monies received, maintaining accounting records, preparing checks and deposit slips, making deposits, and preparing the month-end bank reconciliations. Additionally, the Sheriff's secretary provides one of the two required signatures on checks. Although bank reconciliations are reviewed each month by the County Clerk's office, this review does not include comparing the reconciled balance to liabilities or receipt records to deposits. As a result, the shortage discussed in section 4.1 and the undeposited cash identified in section 4.2 was not identified during this review.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement an adequate



Benton County  
Management Advisory Report - State Auditor's Findings

independent or supervisory review to ensure the bank records are in agreement with the accounting records.

#### 4.4 Sheriff Revolving Fund

The Sheriff Revolving Fund has not been established as required by state law. The Sheriff collected approximately \$9,500 annually for concealed weapon permit applications for the 2 years ended December 31, 2011.

Concealed weapon permit fees received are credited to the county's General Revenue Fund and disbursements associated with the processing of the permits are not separately identified. As a result, the monies may not be spent in accordance with state law.

Section 571.101, RSMo, authorizes the Sheriff to charge non-refundable fees for processing a first time application and a renewal for a concealed weapon permit which shall be paid to the county treasury to the credit of the Sheriff Revolving Fund. In addition, Section 50.535, RSMo, states the Sheriff Revolving Fund may only be used by law enforcement agencies for the purchase of equipment, to provide training, and to make necessary expenditures to process applications for concealed weapon permit applications or renewals.

By establishing a Sheriff Revolving Fund in the county treasury and preparing a budget for the fund, the County Commission and the Sheriff will be able to more effectively monitor overall financial resources, make budgetary decisions, and ensure funds are spent in accordance with state law.

Similar conditions  
previously reported

Similar conditions to sections 4.1, 4.2, and 4.3 were noted in our prior audit report.

#### Recommendations

The Sheriff:

- 4.1 Review receipt and disbursement records to determine the reason for the \$1,418 shortage, and ensure a complete and accurate list of liabilities is prepared monthly and reconciled to the available cash balance.
- 4.2 Ensure the method of payment is recorded on all receipt slips, document the individual receipt slips included in each deposit, reconcile the composition of receipts to the composition of deposits, and deposit monies timely. In addition, the Sheriff should follow up on the \$70 cash shortage.



Benton County  
Management Advisory Report - State Auditor's Findings

- 4.3 Adequately segregate accounting duties to the extent possible or ensure an adequate independent or supervisory review of accounting and bank records is performed and documented.
- 4.4 Work with the County Commission and County Treasurer to establish the Sheriff Revolving Fund as required by state law.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 4.1 *We are checking into the \$1,418 shortage. A form has now been set up to show each bond posted, where each bond was paid to, the date, and the check number. The bond sheet sent to the court is also checked with the pending bonds.*
- 4.2 *The missing \$50 is because the plaintiff took the money back and decided to obtain the services of an attorney to file the eviction paperwork. This eviction was filed two weeks later. The initial receipt was not voided. The \$20 is due to be deposited and a mistake was made in putting it in the computer. We now have two people checking the deposits to make sure they are correct. Deposits will now be made daily.*
- 4.3 *I will check receipt and disbursement records daily.*
- 4.4 *Concealed weapon fees will now be placed in the Sheriff's Revolving Fund.*

## 5. County Collector's Controls and Procedures

The County Collector's procedures related to receipting and depositing are in need of improvement. In addition, partial payment records are not adequate, commissions on city tax collections do not agree with written contracts, and surtax distribution calculations did not include current assessed valuation amounts. The County Collector's office processed property taxes totaling in excess of \$12 million during each of the 2 years ended February 29, 2012.

### 5.1 Receipts and deposits

Receipts are not deposited intact and the composition of receipts is not reconciled to the composition of deposits.

- Cash receipts are withheld from deposits for use as a change fund, which is not maintained at a constant amount. Instead of depositing the exact amount of cash received during each day, the collector typically deposits an even amount of cash and withholds the balance of cash receipts for the change fund.
- Monies received for partial payments on bankruptcy cases, are held as cash in envelopes in the County Collector's vault until full payment is



## Benton County Management Advisory Report - State Auditor's Findings

received. Bankruptcy checks received are placed in the Collector's daily deposits, and a corresponding amount of cash from other tax collections is withheld from the daily deposit and placed in the vault and held until the bankruptcy tax liability is paid in full. (See section 5.2.)

- Adequate records are not maintained to document cash receipts used to make small refunds. When an individual pays more than the taxes due (by check), the County Collector uses cash from other collections to obtain a money order from the bank to mail the refund to the individual; however, adequate documentation is not maintained to track the cash withheld from collections. The Collector indicated refunds are handled this way to avoid numerous outstanding checks.
- Daily cash receipts are occasionally used to cash personal checks for county employees.

As a result of these issues, the amount deposited does not agree to the amounts receipted on a daily basis.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact, the composition of receipts should be reconciled to the composition of deposits, documentation of refunds should be retained, and the practice of cashing personal checks should be discontinued. If a change fund is needed, it should be set at a constant amount and a procedure established to reconcile to this amount every time a deposit is made.

### 5.2 Partial payments

Receipt slips are not issued for partial payments received for bankruptcy cases, and a ledger is not maintained of the amounts collected, amounts due, and amounts deposited. Partial payments are placed in separate envelopes labeled with the taxpayers name and the amount of partial payments received. These envelopes are filed in the taxpayer's bankruptcy folder and deposited after sufficient monies have been received for payment of a tax bill. A January 19, 2012, cash count identified partial pay monies in cash totaling \$1,127 stored in eight envelopes.

To ensure all amounts collected are properly accounted for, receipt slips should be issued for all payments received, and detailed records should be maintained of all amounts collected and due. All monies should be deposited and reconciled to amounts held in the bank account.

### 5.3 City taxes

The County Collector does not have a written agreement with the City of Warsaw to bill and collect property taxes and does not distribute fees on delinquent city taxes in accordance with state law. The County Collector collects city property taxes for the cities of Cole Camp, Ionia, Lincoln, and



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Benton County  
Management Advisory Report - State Auditor's Findings

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Warsaw and personally retained commissions totaling \$15,128 during the 2 years ended February 29, 2012, for performing these services.

- 1) The County Collector does not have a written agreement to collect taxes for the City of Warsaw, and the written agreement with the City of Cole Camp was negotiated by the former County Collector in 1986 and should be updated.

Section 50.332, RSMo, allows county officials, subject to the approval of the county commission, to perform services for cities they normally provide to the county for additional compensation. Section 432.070, RSMo, requires all such contracts be in writing.

- 2) The County Collector personally retains more commission on city taxes than allowed by contract. Contracts with the City of Cole Camp, Ionia, and Lincoln provide for a 2 percent commission on delinquent city taxes; however, the County Collector also retains a portion of a penalty charged on delinquent taxes.

A 7 percent penalty is paid by the taxpayers for delinquent city tax collections. The collection and distribution of this penalty is not addressed in the County Collector's written agreements with the cities; however, Section 52.290, RSMo, allows for the collection of the 7 percent penalty on delinquent taxes and provides for the penalty to be distributed as follows: two-sevenths to the County General Revenue Fund, two-sevenths to the Tax Maintenance Fund, and three-sevenths to the County Employee Retirement Fund (CERF).

However, for these three cities the County Collector personally retains two-sevenths of the penalty collected instead of distributing the penalty to the County General Revenue Fund. For the city of Warsaw, for which there is no contract, the County Collector personally retains four-sevenths of the penalty collected and distributes one-seventh to the Tax Maintenance Fund, and two-sevenths to the CERF, respectively.

While the 7 percent penalty collected on delinquent city taxes is assessed, it is not distributed as provided by state law. Of the \$4,547 in penalties collected on city taxes, \$2,043 was retained by the County Collector rather than distributing the monies to the County General Revenue Fund (\$1,299), Tax Maintenance Fund (\$338), and CERF (\$406) as specified by law.

To ensure fees on delinquent city taxes are properly charged and distributed, the contracts with the cities should clearly define the amount of fees and penalties to be assessed, and describe how all amounts should be distributed.



Benton County  
Management Advisory Report - State Auditor's Findings

Any add on fee or penalty charged to taxpayers should be based on state law or city ordinance.

#### 5.4 Surtax

Surtax collections are not properly distributed. The County Collector distributed approximately \$238,000 in surtax collections during the 2 years ended February 29, 2012.

Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation. Section 139.600, RSMo, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed.

The County Collector continues to distribute surtax collections using percentages calculated for distributing the 1985 collections and has not recalculated the surtax distribution percentages each year as required by state law. The County Collector indicated she was unable to recalculate distribution percentages each year because the 1984 tax book had been destroyed prior to being microfilmed, and there was no documentation to calculate the 1985 lost revenues. Changes have occurred in the assessed valuation amounts for subclass 3 property, and political subdivisions may not be receiving the proper allocation of surtax collections.

Since historical tax information is not available to properly calculate the 1985 lost revenue amount used in the calculations outlined in state law, the County Collector should determine a reasonable method to adjust the 1985 surtax percentages for changes in current year assessed valuations to properly distribute more surtax to entities experiencing growth.

Similar conditions  
previously reported

Similar conditions to sections 5.1, 5.3 and 5.4 were noted in previous audit reports.

#### Recommendations

The County Collector:

- 5.1 Deposit all receipts intact, reconcile the composition of receipts to the composition of deposits, retain documentation of all refunds, and discontinue the practice of cashing personal checks. In addition, if a change fund is needed, it should be maintained at an established amount.
- 5.2 Ensure official prenumbered receipt slips are issued for all partial payments, all monies are deposited, a partial payment ledger is





Benton County  
Management Advisory Report - State Auditor's Findings

maintained, and amounts posted to the partial payment ledger are reconciled to total partial payments held in the bank account.

- 5.3 Work with the County Commission to obtain current written agreements with the cities for tax collections, and ensure fees and penalties charged on delinquent city taxes are prescribed in contracts and are based upon applicable state laws or city ordinances.
- 5.4 Ensure future distribution of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.

## Auditee's Response

*The County Collector provided the following responses:*

- 5.1 *I will review our current procedures and take the auditor's recommendations under consideration.*
- 5.2 *This recommendation has been implemented.*
- 5.3 *Beginning with 2012 tax collections, I will contact the cities and implement these changes.*
- 5.4 *New calculations will be determined for the 2012 surtax distributions.*

## 6. Prosecuting Attorney's Controls and Procedures

Weaknesses exist in accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney only accepts receipts in the form of money orders or cashier checks which are transmitted to merchants, the County Treasurer, or other applicable individuals (no bank account is maintained). The Prosecuting Attorney's office collected bad check restitution and related fees and court-ordered restitution totaling approximately \$102,000 in 2011 and \$120,500 in 2010.

### 6.1 Segregation of duties

Accounting duties are not adequately segregated and an adequate supervisory review of accounting records is not performed. All three clerks within the Prosecuting Attorney's office issue manual receipt slips for monies received; however, the primary accounting duties for bad check complaints and court ordered restitution are divided between two clerks. One clerk is responsible for entering all information related to bad check complaints and payments in the computerized accounting system and for transmitting these payments to respective merchants. A second clerk is responsible for entering court ordered restitution and related payments (with the exception of bad checks) into the accounting system, and transmitting these payments to the applicable party. While the Prosecuting Attorney



## Benton County Management Advisory Report - State Auditor's Findings

indicated she occasionally reviews accounting records, an adequate review is not performed to ensure all monies received are properly recorded and transmitted to the appropriate party.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement an adequate independent or supervisory review to ensure accounting records are in agreement.

### 6.2 Receipts

Manual receipt slips issued are not reconciled to computerized receipt records. We noted instances where amounts posted in the computer did not agree with the amount recorded on the manual receipt slip. For example, in April 2010, \$7,595 was receipted in the computer, however, the manual receipt slip was only \$95. According to the clerk, the amount receipted into the computer was incorrect, as \$7,500 was not received by the Prosecuting Attorney's office, but paid directly to the victim

To ensure all receipts are accounted for properly and reduce the risk of loss, theft, or misuse of funds, procedures should be established to reconcile manual receipt slips to computerized records.

### 6.3 Adjustments

There is no independent approval of adjustments posted to the computerized accounting system. All clerks have the ability to post adjustments to the computerized accounting system without obtaining independent approval. Adjustments are made to defendant accounts to remove amounts due from the system; however, adequate documentation to support these adjustments was not always retained. In addition, the default setting in the accounting system is set to an adjusting entry rather than a payment. In October 2011, an adjustment for \$13,343 to decrease a defendant's balance was entered with no supporting documentation, and in November 2011, a restitution payment for \$575 was entered incorrectly into the accounting system as an adjustment.

To reduce the risk of loss or misuse of funds, and ensure the validity and propriety of all adjustments, adjustments should be supported by adequate documentation and reviewed and approved by a supervisor.

### 6.4 Transmittal of fees

Bad check fees are not transmitted to the County Treasurer intact or in a timely manner. For example, bad check fees receipted between October 21 and December 16, 2011, were not transmitted to the County Treasurer until December 16, 2011, and did not include two receipts totaling \$145 received on December 2 and December 14, 2011. These receipts were later transmitted in January 2012. In addition, money orders are not restrictively endorsed upon receipt.



## Benton County Management Advisory Report - State Auditor's Findings

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, transmittals should be made intact and on a timely basis, and money orders should be restrictively endorsed immediately upon receipt.

### 6.5 Monthly reports

The collection summary report used to report Missouri Office of Prosecution Services (MOPS) fees each month to the County Treasurer is not accurate and incorrect fee amounts were paid to MOPS. This report includes all MOPS fees associated with bad checks for which charges have been filed during the month instead of including only the fees that have been collected. As a result, the county disbursed \$385 more in MOPS fees during the 2 years ending December 31, 2011, than was collected.

To ensure amounts distributed to MOPS are accurate, monthly collection detail reports should be reconciled to actual MOPS fees transmitted to the County Treasurer.

## Recommendations

The Prosecuting Attorney:

- 6.1 Adequately segregate accounting duties to the extent possible or ensure an adequate independent or supervisory review of accounting records is performed and documented.
- 6.2 Reconcile manual receipt slips issued to computerized accounting records.
- 6.3 Require supervisory review and approval and retain adequate documentation for all accounting adjustments.
- 6.4 Transmit fees to the County Treasurer intact and in a timely manner, and restrictively endorse money orders upon receipt.
- 6.5 Reconcile MOPS collection reports to amounts transmitted to the County Treasurer.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 6.1 *The Prosecutor and the Office Manager/Bad Check Clerk are now reviewing monthly or as time allows all the bad check reports and restitution reports. If more clarification is needed on the restitution reports then we have the restitution clerk review her reports with us.*
- 6.2 *Our policies about manual receipts was (until this audit) being done per the last group of auditors advice. Now this group of auditors do not like us using the manual receipts so we are now no longer using*



Benton County  
Management Advisory Report - State Auditor's Findings

*them for Bad Check payments and restitution payments. We are now only using the receipts that the computer program Karpel issues to our posted payments.*

6.3 *Now to the approval of adjustments or reversals, approval by the prosecutor is now documented before the clerks or Office Manager enter them as such. Before when we were using manual receipts we would write on the receipts what had taken place with a different amount than what was posted. Documentation of all adjustments will be maintained.*

6.4 *We have started to stamp the back of all the money orders made out to Benton County as soon as they are received in our office. The money orders made out to the victims and merchants are sent out to them. We have also started to send the money orders to the Treasurer every week depending on how many we receive in that week. If it is just one or two money orders then it will be sent to the Treasurer every other week.*

6.5 *The problem with the MOPS fees has been resolved and we are now sending a report each month that includes only the MOPS fees collected that month. Karpel worked with us to run the correct reports.*

## Auditor's Comment

6.2 Our prior audit report contained no recommendation regarding manual receipt slips, and this report recommendation does not suggest eliminating the use of manual receipts. Rather, we recommend a reconciliation of manual receipt slips to computerized records in those instances where manual receipt slips are utilized.

## 7. Public Administrator's Procedures

The Public Administrator hires members of her family to perform duties associated with her wards and estates.

For example, the Public Administrator hired three family members who were paid a total of \$2,351 between June 1 and July 21, 2011, to clean and prepare a ward's real and personal property for auction. The Public Administrator indicated that she uses members of her family because she can trust them to care for the assets of the ward estate. There was no documentation to indicate that persons other than family members were considered for these services.

To avoid the appearance of a conflict of interest, the Public Administrator should consider consulting the Probate Judge when members of her family are going to provide services to wards for compensation. Additionally, documentation should be maintained of the consideration of persons other than her family members for the services.



Benton County  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The Public Administrator avoid the appearance of a conflict of interest by consulting with the Probate Judge prior to hiring family members and ensuring documentation is maintained of the consideration of persons other than family members for services provided to wards.

## Auditee's Response

*The Public Administrator provided the following written response:*

*To avoid any possible conflicts, documentation will be obtained for services considered in the future and written consent will be requested from Probate Judge for same whether it be for family members or otherwise.*

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# Benton County

## Organization and Statistical Information

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Benton County is a county-organized, third-class county. The county seat is Warsaw.

Benton County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 69 full-time employees and 11 part-time employees on December 31, 2011.

In addition, county operations include a Senior Citizens' Services Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Tom Self, Presiding Commissioner	\$	29,390
Paul Estes, Associate Commissioner (1)		28,050
Walter Schumacher, Jr., Associate Commissioner (1)		28,710
Beverly Burnett, Recorder of Deeds (1)		42,500
Mary Lutman, County Clerk (1)		43,500
Karen Coffey Woodley, Prosecuting Attorney		109,356
Rick Fajen, Sheriff (1)		50,000
Rick Renno, County Treasurer (1)		43,500
James A Miller, County Coroner (1)		18,000
Lori Dunklin, Public Administrator		41,500
Donna Hart, County Collector (1) (2), year ended February 29,	51,189	
Rodger L. Reedy, County Assessor (1), year ended August 31,		43,500
Jerry Dill, County Surveyor (3)		

(1) Includes one-time salary adjustment in 2011 based on increase in assessed valuation in 2007.

(2) Includes \$7,689 of commissions earned for collecting city property taxes.

(3) Compensation on a fee basis.



Benton County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

Benton County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



Thomas A. Schweich  
Missouri State Auditor

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# ECONOMIC DEVELOPMENT

## Division of Business and Community Services



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September 2012  
Report No. 2012-117

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<http://auditor.mo.gov>





# CITIZENS SUMMARY

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## Findings in the audit of the Department of Economic Development, Division of Business and Community Services

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### Due Diligence Procedures and Debt Limit

The Department of Economic Development (DED), Division of Business and Community Services (BCS) failed to perform adequate due diligence for various projects, including the Mamtek USA project. In May 2010, the BCS prepared and the company accepted a proposal under which the company could potentially be eligible for various state incentives totaling over \$17.6 million. In July 2010, the BCS allocated \$28 million in Recovery Zone tax exempt bond authority to the city of Moberly and the Industrial Development Authority of Moberly issued \$39 million in revenue bonds to finance the building of a sucralose manufacturing plant in Moberly for the start-up company Mamtek. The BCS, and the city of Moberly and other entities involved in issuing the industrial development bonds for the Mamtek project, did not ensure due diligence procedures were adequately designed, performed, and documented to protect the interests of all parties, and the company was forced into bankruptcy in January 2012. Moreover, while general obligation bonds are subject to debt limitations under the Missouri Constitution, Missouri has no constitutional or statutory limit on the type of debt issued for the Mamtek project.

Audit staff discovered due diligence procedures performed for some other projects were not always adequate, properly documented, or performed in a timely manner. For example, the BCS issued a proposal to a start-up company without performing an adequate credit check; the company failed to make its first payment on the Community Development Block Grant Action Fund loan, and the Missouri Attorney General's office filed suit against the company in March 2012. Although the BCS adopted uniform due diligence processes in February 2011, it should consider more stringent due diligence steps, especially for start-up company projects.

### Economic Incentives Claimed Under Multiple Programs

State law does not prohibit the same project costs from being claimed under more than one tax credit program. Developers can "stack" tax credits without generating additional economic activity or state benefit. For example, depending upon the applicable programs, for every \$1 of certain project costs, a developer could be issued up to \$3.27 in federal and state tax credits (\$1.11 in federal and \$2.16 in state tax credits). We calculated the state issued tax credits totaling over \$134 million related to project costs included in the basis of more than one tax credit program during the 11 years ended June 30, 2011.

In addition, the state does not reduce the amount of Low Income Housing tax credits available to recipients of Historic Preservation funding, which is done under similar federal programs. Because of this, between fiscal years 2000 and 2011 the state issued \$68 million more in tax credits than it would have if federal cost containment features were in place. State law also allows companies to claim new jobs and investments under the Business Use Incentives for Large-Scale Development (BUILD) Program while also claiming them under other economic development programs. The majority of companies participating in the BUILD program also participate in other

economic development tax credit programs, meaning that the state issues additional tax credits without any additional economic activity or state benefit being generated.

**Payment of Operating Costs of the Governor's Office**

For the two years ended June 30, 2011, the DED paid over \$149,000 for approximately 160 flights of the Governor's office, thereby circumventing the appropriations process. The BCS was allocated \$79,815 of the total flight costs, while the remainder was allocated to other DED divisions. Of 121 flights reviewed, 99 were for the Governor to publicize economic development incentives and the creation of jobs, but BCS employees were only included on 54 of these flights. The other 22 flights, totaling over \$6,000, had no clear benefit to the DED or the BCS. These flights included seven separate flights related to the A+ Schools Program and a \$910 flight to St. Joseph for the Governor to announce the Missouri National Guard was sending relief support to Haiti.

In the areas audited, the overall performance of this entity was **Fair**.\*

**American Recovery and Reinvestment Act (Federal Stimulus)**

During the audit period, the Department of Economic Development, Division of Business and Community Services (BCS) was awarded the following Federal Stimulus monies:

A \$6,433,629 Community Development Block Grant, \$2,525,082 of which was received and expended, to assist communities with economic revitalization.

A \$1,191,646 AmeriCorps grant, \$823,449 of which was received and expended, to support AmeriCorps programs in the state.

The BCS also helped administer two U.S. Department of Labor grants awarded to the Department of Economic Development, Division of Workforce Development, expending a total of \$426,797:

- \$273,621 to develop products to improve the level of green career information available to job seekers.
- \$153,176 to review, collect feedback, and revise a series of Employment and Training Administration webinars.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Department of Economic Development

## Division of Business and Community Services

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Chris Pieper, Acting Director  
Department of Economic Development  
and  
Sallie Hemenway, Director  
Division of Business and Community Services  
Jefferson City, Missouri

We have audited certain operations of the Department of Economic Development, Division of Business and Community Services, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011 and 2010. The objectives of our audit were to:

1. Evaluate the division's internal controls over significant management and financial functions.
2. Evaluate the division's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Economic Development, Division of Business and Community Services.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Ryan Redel, CFE, CIA
	Brian Hammann, M. Acct.
	Kelly Davis, M.Acct., CPA, CFE
	James M. Applegate, MBA

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# Department of Economic Development

## Division of Business and Community Services

### Management Advisory Report - State Auditor's Findings

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#### **1. Due Diligence Procedures and Debt Limit**

The Department of Economic Development (DED), Division of Business and Community Services (BCS), as well as other parties involved in the Mamtek USA project, failed to perform adequate due diligence on the start-up company, its officials, and information provided by the company. No constitutional or statutory limit on the type of debt issued for this project currently exists. Also, BCS due diligence procedures performed for other projects were not always adequate, properly documented, or performed in a timely manner.

##### **1.1 Mamtek USA**

In January 2010, a start-up company, Mamtek USA, was searching for a location to build a sucralose manufacturing plant in the Midwest. The company was also searching for available state and local incentives that would assist in the financing of the plant and its operation. The company contacted the BCS. The BCS prepared a series of proposals based upon information provided by the company. In early April 2010, the company had narrowed the search to four cities in central Missouri. Later that month, the city of Moberly agreed to finance the project using annual appropriation bonds. The company selected Moberly as the site. In May 2010, the BCS prepared a proposal accepted by the company under which the company could potentially be eligible for various state incentives totaling over \$17.6 million including Missouri Quality Jobs, Business Use Incentives for Large-Scale Development (BUILD), Community Development Block Grant (CDBG), New Jobs Training, and other incentives. In July 2010, the BCS allocated \$28 million in Recovery Zone tax exempt bond authority to the city and revenue bonds totaling \$39 million were issued by the Industrial Development Authority of Moberly to finance the project. Construction of the plant began in October 2010. The company failed to make the first principal payment on the bond due in August 2011. The project was not completed and the company was forced into bankruptcy in January 2012. Several investigations have ensued and at least two lawsuits filed, one by the bankruptcy trustee and one by a bondholder. A credit rating service subsequently lowered the city of Moberly's issuer credit rating three steps from A to B.

The BCS, in February 2011, adopted uniform due diligence processes which cited: "the purpose of DED's due diligence process is to ensure, to the maximum extent practicable, that incentives are provided only to those applicants that are both eligible and capable. Eligibility is a primarily objective determination based upon the statutory, regulatory and administrative guidelines applicable to a particular program. Capacity is a more subjective measure based on an overall review of the applicant and, as applicable, the individuals employed by or associated with the applicant."

The BCS, and the city of Moberly along with other entities involved in issuing the industrial development bonds, did not ensure due diligence procedures were adequately designed, performed, and documented to protect the interests of all parties.



Department of Economic Development  
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- The BCS continued to develop the incentive proposal and increased the amount of bonds allocated to the city even though questions regarding the existence and operation of a plant in China remained unresolved.

In April 2010, prior to issuing a final proposal on state incentives, the BCS obtained information that appeared to contradict Mamtek USA claims as to the existence and operation of a plant in China. The BCS, in a communication to cities being considered as a potential location for the project, indicated vital information had not been provided to the BCS including the name/assets of the US partners, contracts for the presold product, or the location of the Chinese company. The BCS continued to develop the incentive proposals. On May 17, 2010, the day the BCS issued the incentive proposal accepted by Mamtek USA, the BCS received additional information from an official in DED's contract foreign office indicating addresses provided by Mamtek USA were not factory locations. However, the BCS did not share this additional information with the city of Moberly. In June 2010, the BCS increased the amount of recovery zone bonds allocated to the city, at the request of the city.

- In April 2010, the city of Moberly offered to use annual appropriation bonds to finance the project before significant due diligence steps had been completed by either the BCS or the city. Subsequently, the city did complete additional due diligence procedures, including the hiring of a business valuation firm which valued Mamtek USA intellectual property and pending patents at \$7 million, and obtaining a contract from Mamtek USA for presold products valued at \$45 million. However, it appears the BCS, city, bond underwriter, and bond counsel did not adequately question the validity of the contract for presold products or the existence of the company offering that contract. The city's bond counsel contacted Mamtek USA's patent attorney to verify information provided by that individual regarding the existence of a Chinese facility and pending patents. Moberly was also informed of additional due diligence to be performed by the bond underwriter's counsel "... to conduct properly their due diligence review of the organization, operations, and financial condition of the Borrower ..." After the default on the bonds, a Mamtek official indicated there was little to no value in the intellectual property or pending patents.
- Neither the BCS nor any of the other parties involved in the project verified Mamtek USA's claims regarding 1) a bank account or cash-on-hand of \$7.2 million reported in the company's pro forma financial statements, 2) "company equity" from its own funds would



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Division of Business and Community Services  
Management Advisory Report - State Auditor's Finding

be used to provide for the remaining cost of the project, or 3) whether the company had means to acquire such funds.

- The BCS approved the incentive package despite concerns raised by BCS employees. BCS employees questioned the reasonableness of significant changes in the cost and magnitude of the project that were the basis for various incentive packages offered by the DED. It is unclear whether BCS management was made aware of BCS employee concerns. The BCS did not appear to question the reasonableness of company financial projections provided to the BCS on June 3, 2010. Those projections included two major plant expansions within 18 months to be financed by two additional bond issues totaling over \$101 million. The projections also included estimated gross revenues of \$31 million in the first year and \$130 million in the second year of operation.
- The city of Moberly did not conduct an independent assessment of the project designs, relying on the representations of company officials and its representatives. Mamtek USA's original estimated project costs of \$40 million were based upon incomplete, inadequate, and unsafe designs. After construction was halted in September 2011, one Mamtek official indicated up to an additional \$45 million would be required to complete the initial phase of the project and an additional \$10 million would be required for operating capital.
- In testimony before the House Interim Committee on Government Oversight and Accountability, the bond underwriter and underwriter's counsel indicated they performed little, if any, due diligence on Mamtek USA's financial condition or capacity to complete the project. Because the city of Moberly decided to back the bonds, those involved with the bond issue were primarily concerned with the city of Moberly's financial condition and not the potential for a Mamtek USA default.

The bondholders filed a lawsuit in March 2012 alleging the bond underwriter and the underwriter's counsel failed to perform adequate due diligence. The lawsuit alleges when marketing the bonds for sale, these parties supplied untrue statements and omitted other material facts from information presented to potential buyers. These alleged untrue statements included: a Chinese facility was producing a proven sucralose product at the time of the bond issue; Mamtek USA was one of only two companies producing sucralose and competing in the market; and the company possessed a sucralose "cookbook" and pending patents, and had a contract for the purchase of its product exceeding the value of the bonds.





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The bankruptcy trustee filed a lawsuit in May 2012 against Mamtek USA's former President/CEO and his wife and a related company, Mamtek Group, alleging fraudulent use of bond proceeds by submitting 13 false and fraudulent invoices to expend bond proceeds totaling approximately \$6.6 million of which at least \$1.3 million was transferred directly to the former President/CEO and his wife. The alleged fraudulent submissions began with the first draw request dated July 23, 2010, the day the official bond offering was first published. In September 2012, the Attorney General filed felony charges in the Randolph County Circuit Court against the former President/CEO of Mamtek alleging stealing over \$25,000 and securities fraud. The U.S. Securities and Exchange Commission also filed a civil complaint against the former President/CEO in the U.S. District Court for the Central District of California alleging fraud in the offer or sale of securities and fraud in connection with the purchase or sale of securities.

## 1.2 No debt limitation

No constitutional or statutory limit on the type of debt issued for the Mamtek USA project currently exists, and the financial condition of the city was such that it could not make the debt service payments on the bonds (without making drastic cuts in basic city services) when Mamtek USA defaulted on lease payments. In addition, the city was only legally obligated to make debt service payments from monies obtained from lease payments. Implementation of debt limitations would provide political subdivisions additional safeguards when issuing appropriation backed debt.

The City of Moberly Industrial Development Authority issued industrial development revenue bonds of \$39 million to finance the project. According to the city's 2009 financial statements, the ending balance of unrestricted general governmental net assets at June 30, 2009, was only \$1.5 million, while payments on the bonds would average in excess of \$3.8 million per year over 15 years. The average annual bond payment would equal about 61 percent of the city's \$6.2 million in general fund revenues for the year ended June 30, 2009. The default on the bonds resulted in the lowering of the city's credit rating. The bond issue, approved by the city council, was issued under Section 349.055, RSMo, which does not require a public vote. There is no constitutional or statutory limit on the amount of bonds that may be issued under this method. Conversely, general obligation bonds issued under Section 100.090, RSMo, require a public vote and are subject to constitutional debt limitations of 10 percent to 20 percent of assessed valuations.

While the city had no general obligation debt as of June 30, 2009, the \$39 million of revenue bonds issued were approximately 27 percent of Moberly's 2010 assessed valuation of \$143.8 million. If the bonds had been issued as general obligation bonds of the city and subject to various indebtedness limitations of the Missouri Constitution, Article VI, the bond



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issue would have exceeded the debt limitations of 20 percent of assessed valuations.

### 1.3 Other projects

BCS due diligence procedures performed for other projects were not always adequate, properly documented, or performed in a timely manner.

The BCS has established due diligence procedures for job creation incentives, including the BUILD, CDBG, Enhanced Enterprise Zone, Automotive Manufacturing Jobs, Quality Jobs and Brownfield Remediation programs; bond allocation or re-allocation for private activity, energy, and recovery bonding authority; the historic preservation program; and other programs. The following table summarizes the projects that were authorized for more than \$1 million in incentives or bond allocation by type of incentive, number of projects, incentive amount authorized, and incentive amount issued for the period of January 2006 through October 2011.

BCS Incentive Type	Number of Projects	Authorized Amount <sup>1</sup>	Issued Amount <sup>1</sup>
Job Creation	167	\$ 690.6	\$ 152.3
Bond Allocations	172	3,352.4	2,394.2
Historic Preservation	166	615.8	278.6
Other	31	165.3	63.7
Total	536	\$ 4,824.4	\$ 2,888.8

<sup>1</sup> In Millions

**Due diligence procedures** The BCS adopted uniform written due diligence procedures in February 2011. Those procedures include an assessment of the quality of company management, growth potential, reputation, and business model; determination of the company's ability to obtain all state, local and professional licenses and permits; a determination whether delinquent state or local taxes are due; a review of past performance by the company in other incentive projects; and an assessment that the company meet program eligibility requirements. The preceding assessments and determinations may be gathered by conducting research on the internet and other publicly available information, reviewing the application and other documentation submitted by the applicant, performing a cost/benefit analysis of the project using economic modeling, performing credit checks on the business and key management, and conducting criminal background checks on key management. Each procedure is required to be documented and a program specific checklist must be completed.

Prior to the adoption of these formal procedures, the BCS used program specific checklists to indicate the due diligence steps taken during the preparation of business proposals and eligibility determinations. In addition, documentation requirements were less stringent as the BCS did not require credit and criminal history checks.



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## Documentation and timeliness

We reviewed due diligence procedures performed by the BCS for 15 of 150 projects exceeding \$1 million in incentives and bond allocations authorized during the period October 2009 through October 2011. Our review of the 15 projects included incentives with an estimated value of approximately \$200 million from 10 programs, and noted the following concerns:

- The BCS could not provide documentation showing that specific due diligence procedures had been properly performed. For example, the BCS could not locate documentation of internet searches for three companies receiving incentives. For one of these projects, the DED could not locate a system printout to support information entered in the DED Customer Management System (CMS). BCS staff told us the requirements to document these steps had been revised shortly before the individual projects were approved.
- The BCS did not always complete checklists documenting due diligence procedures performed. We noted seven different checklists for various programs and projects with steps not marked as completed and other steps indicated as not completed (i.e. checked "no"). Examples of steps marked no included a form indicating no delinquent taxes was obtained from the Department of Revenue, the company health plan was received and reviewed, and the number of jobs proposed for the project was confirmed with the Missouri Economic Research and Information Center (MERIC) unit. Steps not marked as completed included business plan received, projected financial statements received, information entered into the CMS system, and a fee letter was prepared and sent. In addition, we noted six checklists where multiple steps were not completed. In most cases there was no explanation of why the checklist was not completed or specific steps were not performed. While applicable due diligence may have eventually been completed, or requested, the checklist was not adequately updated. Most of the due diligence checklists were also not dated to document when applicable steps were completed.
- The BCS issued a proposal to a start-up company without performing an adequate credit check. The company accepted a BCS proposal in April 2009 to participate in various state incentives totaling over \$2.7 million, including a \$1 million CDBG Action Fund Loan. In July 2010, the BCS became aware the company was named as defendant in a lawsuit filed in December 2009. In November 2010 the company failed to make its first payment on the loan. The BCS declared the loan in default in February 2011 and turned the case over to the Missouri Attorney General's office.



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(AGO) for collection of the entire balance of the loan. The AGO subsequently filed suit against the company in March 2012.

- The BCS issued a proposal to another start-up company without performing a criminal background check. The company accepted a BCS proposal in May 2010 to participate in the Missouri Quality Jobs program and receive tax credits totaling over \$1.3 million. In November 2010 the BCS also committed to a \$750,000 CDBG Action Fund Loan to the company. In December 2010 the BCS learned the company's President and CEO had pleaded guilty to writing bad checks in 2007 and was placed on probation, a fact he failed to disclose when applying for state incentives. The BCS rescinded all proposed state incentives at that time.
- The BCS does not require some due diligence procedures to be performed until after the proposal is prepared and issued to the company. Due diligence procedures such as criminal background checks, check for non-compliance with other programs, and evaluation of a company's risk of failure and qualifications of their management should be required earlier in the due diligence process.

### Additional due diligence procedures

The BCS should consider more stringent due diligence steps, especially for startup company projects which inherently involve more risk. These steps include (1) national criminal background checks and national review for tax compliance when a company or its officials have no prior presence in Missouri, (2) private investigation into the backgrounds of key management, including national checks for civil litigation, and (3) increased reliance on the BCS international offices and staff to evaluate the international operations of parent companies and related parties.

The BCS currently limits the following steps to loan program projects, but should consider such additional due diligence for start-up companies applying for incentives from any discretionary program:

- Credit history check of the applicant; and for privately-held companies, the owners and managers.
- Third-party independent feasibility studies.
- Written assessment of the financial commitment by its active owners, based on the amount of personal resources invested in the company as a percentage of available resources.
- Written assessment of the validity and reasonableness of revenue and cost projections.



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By performing sufficient and timely due diligence, the BCS can reduce the risk of awarding incentives to companies for projects that have a high risk of failure. While additional due diligence could never fully eliminate all risk, especially for startups, it could provide additional assurances as to a company's capacity to succeed. BCS officials acknowledge their review of the due diligence processes, communications, and evaluations is on-going.

## Recommendations

- 1.1&  
1.3. The BCS ensure due diligence procedures are properly designed, performed in a timely manner, and adequately documented. In addition, the BCS should continue to evaluate their due diligence procedures, adopting new procedures that may provide additional assurance regarding the feasibility of startup company proposals.
- 1.2. The Legislature consider establishing debt limitations regarding the use of industrial development revenue bonds.

## Auditee's Response

- 1.1 *The audit suggests that State incentives were "awarded" or "approved" for Mamtek, but Mamtek did not receive any State incentives. Under the State's performance-based incentive programs, a company may only receive incentives if they meet strict job creation and investment requirements. The incentive "proposal" or "package" referenced in the audit was simply a document listing and describing the incentive programs for which the company could potentially be eligible if it actually created the jobs and/or made the investment required. Because Mamtek failed to meet the strict job creation and investment requirements of the applicable programs, it never received any State incentives.*

*BCS performed substantial due diligence related to the Mamtek project, including the review of pro forma financial statements, the company's business and marketing plans, a product market study, letters of intent from potential customers, third-party reports on the company, internet and contract office research, and information regarding the company's intellectual property, which included information provided to the City of Moberly by intellectual property lawyer Michael Wise, partner with the international law firm Perkins Coie, indicating that he had personally visited and photographed the China plant and had evaluated the intellectual property there. BCS also reviewed information provided by the company in its application materials, which were certified by company officials, under penalty of perjury, as true and correct. BCS also reviewed a letter from then-U.S. Senator Christopher "Kit" Bond to company officials supporting the location of Mamtek's United States production facility in Missouri. BCS also performed site visits throughout 2011 and communicated regularly*



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*with the construction contractor regarding progress on construction.*

*The audit suggests BCS has a role in local bond issues. However, under Missouri law, BCS does not authorize, issue, underwrite or in any way guarantee local bonds. The Moberly IDA's local bond issue for this project requested designation of the bonds as tax exempt Recovery Zone Facility Bonds pursuant to state and federal law. Designation of local bonds as tax exempt Recovery Zone Facility Bonds is performed in accordance with state law and the requirements of 4 CSR 85-6.10, including a consideration of the applicant's ability to close on the local bonds prior to the December 31, 2010 deadline provided under federal law. Because the Moberly IDA had already adopted an inducement resolution for the bonds prior to submitting the application, the project was ready to close well in advance of the federal deadline. In addition to the Moberly IDA's application materials, the following materials were evaluated as part of the Moberly IDA's request to designate as tax exempt the local bonds the Moberly IDA was issuing for the project, including an analysis of the bond issue provided to the City by bond underwriter Morgan Keegan, Standard & Poor's assignment of an "A-" rating for the bonds, information that an independent valuation of the intellectual property the City was using as collateral was performed by third-party intellectual property valuation firm Pellegrino & Associates, information from representatives of the City that translated contracts for sale of the company's products were being submitted to Moberly's bond counsel, and information that the City received a payment of \$100,000 in earnest money from the company to cover costs associated with the local bond issue.*

*BCS disagrees that information regarding the company was not provided to the City of Moberly. As stated in testimony to the House Interim Committee on Government Oversight and Accountability, after BCS learned that City representatives had contacted the company and offered to "guarantee" financing for the project if the company would select Moberly as the location for its plant, BCS staff contacted the economic developer for the City and informed him that DED's China office had been unable to verify the location of the company's production facility in China. The City's economic developer responded that the City was retaining professionals to conduct their own investigation of the company and that he would share their findings with DED.*

## Auditor's Comment

The BCS contention that the audit suggests Mamtek USA actually received state incentives is inaccurate. The audit clearly notes the **proposal** prepared by the BCS and accepted by Mamtek USA, made the company **potentially eligible** to receive state incentives.



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The BCS lists several due diligence steps performed on the Mamtek USA project; however, as noted in the audit the BCS offered the company a proposal under which the company could receive up to \$17.2 million in incentives even though:

- Questions regarding the existence and operation of a plant in China were unresolved.
- Concerns of BCS employees regarding the reasonableness of the significant changes in the cost and magnitude of the project existed.
- The company failed to timely provide the name/assets of the US partners and any contracts for presold product.
- The validity of the contracts for presold goods and the existence of the companies named in the contracts had not been determined.
- The reasonableness of the pro forma financial statements had not been determined.
- The claims regarding a company bank account and cash-on-hand of \$7.2 million had not been verified.
- The existence of company equity or the ability to raise that equity to provide for the remaining cost of the project had not been verified.

The BCS contention that the audit suggests the BCS has authority over local bond issues is also inaccurate. In fact, the audit recommendation is addressed to the legislature, an entity that does have authority to establish debt limitations through the legislative process.

## Auditee's Response

- 1.2 *This audit of BCS includes a recommendation for the Legislature regarding debt limitations for the use of industrial revenue bonds by local governmental entities. As this recommendation is not directed at BCS, and BCS does not authorize, issue, underwrite, or guarantee local bonds, no response from BCS is required.*
- 1.3 *According to the audit, there were three projects for which a printout of the internet search conducted as part of the due diligence procedures was not included in the project files. However, the internet searches called for by the applicable due diligence procedures were conducted for each of the referenced projects. In the referenced projects, the internet search was completed, but a printout of the search was not included in the project file, which was consistent with the due diligence procedures in effect at that time. Under the uniform due diligence procedures adopted in February 2011, printouts of internet searches are now kept in all project files. The audit also suggests that there was one project file that did not have a printout from the DED Customer Management System (CMS) database kept in the project file. A report from the CMS system is not printed out and included in every project file because the content of such a report changes over time as additional information is entered into the CMS system.*



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*The audit indicates that at the time the auditors reviewed the files, not all of the checklists documenting due diligence procedures had been completed. Checklist items are completed at different times during the course of a given project depending on the program involved and any project-specific issues that may arise. Regardless, all items on the due diligence checklist are completed prior to benefits being issued to a company. The checklists in the projects referenced as having checklist steps marked "no" or where certain steps were not yet marked at the time the file was reviewed by auditors provide an indication to BCS staff of the outstanding checklist items that must be resolved prior to benefits being issued for the project. In addition, for a number of the referenced projects, items such as a tax clearance from the Department of Revenue or a copy of the company's health plan were later obtained and included in the file prior the company receiving any benefits. Finally, the six projects referenced with multiple checklist steps not completed were projects that did not come to fruition. These projects had not advanced to the point of when the checklist items would have been completed, which is why the checklist items were not marked.*

*For the first start-up company referenced in the audit, BCS reviewed and analyzed three years of pro forma financial information, the qualifications and education of management, and the companies' business plan, among additional application materials. In addition, BCS obtained personal guarantees from the company owners prior to making the loan. The projects had also obtained private financing through a traditional bank loan.*

*The second start-up company referenced in the audit failed to meet the strict job creation and investment requirements of the applicable State programs and therefore received no State incentives.*

## **2. Economic Incentives Claimed Under Multiple Programs**

State law does not prohibit claiming the same project costs under two or more tax credit programs. As a result, we calculated the state issued tax credits totaling over \$134 million related to project costs included in the basis of more than one tax credit program during the 11 years ended June 30, 2011. In addition, if state law was amended to include similar cost containment features as federal law, the state could have saved an additional \$68 million in tax credits issued over this time period. State law also does not prohibit newly created job and investment activity from being claimed under two or more economic development programs.

### **2.1 Potential savings**

State law does not contain provisions to prohibit the same project costs from being claimed under more than one program. As a result, companies may





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claim certain<sup>1</sup> project costs under the Historic Preservation, Low Income Housing, Brownfield Remediation, and the Neighborhood Preservation Tax Credit programs. Currently, the BCS does not attempt to quantify the extent to which this occurs; however, BCS personnel indicated a significant portion of developer costs are claimed under more than one program. This "stacking" of tax credits can be lucrative for developers and additional tax credits are issued while no additional economic activity or state benefit is generated. A developer of a project utilizing Brownfield Remediation, state and federal Historic Preservation, and state and federal Low Income Housing credits could be issued up to \$3.27 in federal and state tax credits (\$1.11 in federal and \$2.16 in state tax credits) for every \$1 of certain project costs. Developers may receive up to \$2.27 in credits for a project cost included in the state and federal Historic Preservation and the state and federal Low Income Housing programs.

Between fiscal years 2000 and 2011, the state issued tax credits totaling approximately \$738 million for 117 projects that received funding from two or more of the tax programs noted above. Based on our analysis of available project data we calculated the state issued more than \$134 million in tax credits related to project costs claimed under more than one tax credit program. In addition, developers would have also received federal tax credits related to these project costs under the Historic Preservation and Low Income Housing programs.

In November 2010, the Missouri Tax Credit Review Commission<sup>2</sup> issued a report which recommended the elimination of, or placing restrictions on, the stacking of tax credits. In addition, the legislature has adopted statutory restrictions which prohibit companies from participating in more than one of the following programs: Business Facility, Brownfield Jobs/Investments, Enterprise Zone, Enhanced Enterprise Zone, Missouri Quality Jobs, Rebuilding Communities, and Neighborhood Preservation. The BCS should work with the General Assembly to establish cost containment provisions regarding project costs claimed under multiple tax credit programs.

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<sup>1</sup> Companies receive Brownfield Remediation, Historic Preservation, and or Low Income Housing tax credits when rehabilitating qualifying properties. Companies acquire abandoned or underutilized properties, some with environmental hazards such as chemical, asbestos, and or lead paint contamination, which qualify for rehabilitation under the Brownfield Remediation program and the federal and state Historic Preservation programs and also undertake rehabilitation activities that qualify under the federal and state Low Income Housing programs.

<sup>2</sup> A Commission created by the Governor in July 2010 that is composed of 27 business, community and legislative leaders. The Commission was charged with reviewing the state's tax credit programs and making recommendations for greater efficiency and enhanced return on investment.



## 2.2 Reduction for state historic preservation

State law does not provide cost containment features similar to those in federal law, costing the state approximately \$68 million in tax credits issued from fiscal years 2000 through 2011.

To calculate the qualified basis upon which the federal Low Income Housing credit is based, the eligible Low Income Housing basis must be reduced by the amount of the federal Historic Preservation tax credits attributable to the residential portion of the project unless the owner of the rehabilitated property elects to pass the credits to the lessee undertaking the Low Income Housing project. State law does not require similar reductions be made to the state Low Income Housing Tax Credit.

Between fiscal years 2000 and 2011, the state issued tax credits for 78 projects that received funding from both the Historic Preservation and Low Income Housing Tax Credit programs. Based on our analysis of available project data we calculated the state issued \$68 million more in tax credits than it would have if developers had been required to reduce the basis for the state Low Income Housing credit by the amount of state Historic Preservation tax credits attributable to the residential portion of the project.

The BCS should work with the General Assembly to establish provisions to require the qualifying basis for the state Low Income Housing tax credit to be reduced by the amount of state Historic Preservation credits issued.

## 2.3 BUILD and other programs

State law does not prohibit new jobs and investments claimed under the Business Use Incentives for Large-Scale Development (BUILD) Program from also being claimed under other economic development programs administered by the BCS. This results in the state issuing additional tax credits while no additional economic activity or state benefit is generated.

State tax credits issued for job creation and investment activity under the BUILD program may also be claimed in the employment and investment value statistics under other economic programs administered by the BCS. While the Missouri Development Finance Board (MDFB) requires companies to provide detailed employment and investment information for the BUILD projects, the DED does not require this information from companies participating in its programs. As a result, the extent jobs and investments qualified for credits under multiple programs could not be determined. However, we did identify two companies that received BUILD and Business Facility and or Enterprise Zone credits in the same year and for the same location. Credits totaling \$2.2 million were issued to these companies.

In addition to the two companies noted above, the MDBF indicated three additional companies participated in the BUILD program and either the Enterprise Zone or Business Facility tax credit programs. The MDFB also



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reported that 22 of 32 companies participating in the BUILD program participate in other economic development including the Enhanced Enterprise Zone, Missouri Quality Jobs, Development, New Jobs Training, and Retained Jobs Training tax credit programs.

The BCS should work with the General Assembly to establish cost containment provisions regarding job creation and investment activity claimed under both the BUILD and other tax credit programs.

## Recommendations

We recommend the BCS work with the General Assembly:

- 2.1. To establish cost containment provisions regarding project costs claimed under multiple tax credit programs.
- 2.2. To establish provisions to require the qualifying basis for the state Low Income Housing tax credit to be reduced by the amount of state Historic Preservation credits issued.
- 2.3. To establish cost containment provisions regarding job creation and investment activity claimed under both the BUILD and other tax credit programs.

## Auditee's Response

*The BCS did not provide a response to these recommendations.*

### **3. Payment of Operating Costs of the Governor's Office**

For the 2 years ended June 30, 2011, the DED paid over \$149,000 for approximately 160 flights of the Governor's office, thus circumventing the appropriation process established by the General Assembly. The BCS was allocated \$79,815 of the total flight costs, while other DED divisions were allocated over \$69,400.

The flights typically included the Governor, members of his staff, and his security. The purpose of many of the flights, for example, was for the Governor to publicize economic development incentives and the creation of jobs. This was the case in 99 of 121 flights reviewed; however, only 54 of these flights included BCS related personnel.

In addition, for the other 22 flights there appears to have been no clear benefit to the DED or BCS. Charges for these flights totaled over \$6,000. Examples include seven separate flights, at a total cost of \$1,057, related to the A+ Schools Program and a flight to St. Joseph at a cost of \$910 to announce the Missouri National Guard was sending relief support to Haiti.

It does not appear appropriate for state agencies to bear the cost of flights that provide no clear benefit to the applicable agencies and include no BCS employees. This practice distorts the actual costs of operating the BCS and the Governor's office.



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## Recommendation

The DED work with the Governor's office to discontinue the practice of using DED and BCS appropriations to pay operating costs of the Governor's office.

## Auditee's Response

*The Office of Administration, Division of Budget and Planning, notifies departments of their share of the costs for the travel expenses benefitting state departments and their constituents. Flight charges are allocated based on the purpose of the flight. The Department believes the costs are an appropriate expense.*

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# Department of Economic Development

## Division of Business and Community Services

### Organization and Statistical Information

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The Missouri Department of Consumer Affairs, Regulation and Licensing was created July 1, 1974, with the Omnibus State Reorganization Act. Effective September 7, 1984, the department's name was changed to the Department of Economic Development (DED). The DED is currently composed of several divisions, including the Division of Business and Community Services (division), to execute statutory requirements and department policies.

The division, made up of the Sales, Marketing, Finance and Compliance teams, promotes Missouri as a place to do business and helps create the environment that will stimulate family supporting jobs and new private investment. The services include investing in Missouri's communities to allow for future sustainable growth by increasing opportunities for new local and state revenues. The division is the result of the combination of the previous Divisions of Business Development and Trade and Community Development in 2006. The new division's goal is to provide a direct access environment focused on the customer. The structure mimics a business model with measurable results.

Services to Missouri businesses and communities are provided through four teams - Sales, Marketing, Finance and Compliance.

- The Sales Team, through regional and industry specialization, provides individualized customer service to businesses considering locating or expanding within our state. The team assists communities with key development activities and work to develop export promotion opportunities for Missouri businesses to take their products and services to key world markets.
- The Business Intelligence & Communications Team produces competitive print and media materials to market our state. The team markets Missouri at the national and international level to increase lead opportunities and generally support the Sales and Finance teams.
- The Finance Team administers the many incentives offered by the department in a manner that promotes consistency and allows for expertise. The team assures access and understanding by DED customers of all of the programs offered and supports the Sales Team's efforts through coordination and communication.
- The Compliance Team assures accountability for each program by assessing the operations and determining compliance by conducting file reviews, on-site monitoring, eligibility determinations, identification and repayment of improperly claimed tax credits, and any follow-up requirements. The Finance and Compliance teams work proactively to assure compliance standards are met.



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Organization and Statistical Information

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The Missouri Economic Research and Information Center (MERIC) Team is the research division of the DED that provides analyses and assistance to policymakers and the public, including studies of the state's targeted industries and economic development initiatives. Other MERIC research includes economic condition reports, economic impact assessments, and labor market information produced in cooperation with the U.S. Department of Labor.

The division offers a wide range of business and community programs, including grants, loans and tax credits.

The Missouri Community Service Commission (MCSC) is part of a group of community improvement tools available through the division. The MCSC was created as a result of the National and Community Service Act signed into law in 1993. The legislation created the Corporation for National and Community Service (CNCS) to administer AmeriCorps, Learn and Serve America, and the existing national service programs of VISTA and SeniorCorps.

As of June 30, 2011, the BCS division had approximately 105 full-time employees. The MCSC, by statute, is composed of 15 to 25 commissioners appointed by the Governor and confirmed by the Senate.

In February 2012, both the Senate Committee on Governmental Accountability and the House Interim Committee on Government Oversight and Accountability issued reports on their investigations into the failed Mamtek project in Moberly, Missouri. The two reports included several recommendations that the General Assembly consider new legislation to reduce the risk of another such project failure in the future. As a result, several pieces of legislation were introduced during the 2012 legislative session. These bills include House Bills 1304 and 1771 - 1777; however, none of these bills were successful.

Additional investigations into Mamtek have been or are in the process of being conducted by the Securities and Exchange Commission and the Missouri Attorney General.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to division personnel, the division was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended June 30, 2011:

A Community Development Block Grant of \$6,433,629 was awarded by the U.S. Department of Housing and Urban Development for economic development projects to assist communities with economic revitalization. These consist of public infrastructure improvements and loans to facilitate permanent job creation/retention. As of June 30, 2011, \$2,525,082 was received and expended by the division related to this grant.



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An AmeriCorps grant of \$1,191,646 was awarded to the MCSC to support AmeriCorps programs in the state of Missouri by providing tutoring, job counseling and placement, nutrition and food drive assistance, and other unmet human needs. As of June 30, 2011, \$823,449 was received and expended by the division related to this grant.

In addition, the division helped administer two U.S. Department of Labor grants awarded to the DED - Division of Workforce Development, expending \$426,797.

- The division, through the MERIC, expended \$273,621 from the Labor Market Information Improvement Grant. In this grant MERIC activities included the development of numerous products to improve the level of green career information available to job seekers. Products included green occupation employment projections, career guides, green industry and training provider surveys and reports, a green industry competency model, and an enhanced internet Career Explorer Tool that incorporated green careers.
- The division, also through MERIC, expended \$153,176 from the E-Learning Improvement Grant. In this grant MERIC reviewed, collected feedback, and revised a series of Employment and Training Administration (ETA) webinars targeted primarily at the education of workforce developers in Labor Market and Workforce Information. Final webinars are used in the DED-Division of Workforce Development training system, available for public use, and promoted by ETA for use by other states workforce professionals.

A summary of the division's financial activity is presented in the following appendixes A, B, and C. A summary of tax credit redemptions for tax credit programs administered by the BCS is presented in appendix D.

## Appendix A-1

Department of Economic Development  
Division of Business and Community Services  
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
Year Ended June 30, 2011

	Community Development Block Grant-Pass Through Fund	Community Development Block Grant- Administration Fund*	Department of Economic Development- Federal and Other Fund*	Department of Economic Development- Management Information Systems-Federal/ Other Fund	Missouri Technology Investment Fund	Community Service Commission- Federal/Other Fund*	Business Extension Service Team Fund*	Missouri Small Business Development Centers Fund*
<b>RECEIPTS</b>								
US Department of Housing and Urban Development	\$ 57,756,886	1,146,501	0	0	0	0	0	0
US Department of Treasury	0	0	8,886,997	0	0	0	0	0
US Department of Health and Human Services	0	0	0	0	0	3,864,621	0	0
Other miscellaneous receipts - federal	514,605	3,000	0	0	0	7,000	0	0
Other miscellaneous receipts - state	0	0	0	0	0	0	0	0
Other fees - tax credit and bond application fees	0	0	0	0	0	0	0	0
Recovery costs - tobacco settlement**	0	0	0	0	0	0	0	0
Interest income	0	0	0	0	0	0	0	115
Other	0	1,140	0	4,425	0	0	0	0
Total Receipts	58,271,491	1,150,641	8,886,997	4,425	0	3,871,621	0	115
<b>DISBURSEMENTS</b>								
Salaries and wages	0	755,189	833	0	0	165,962	0	0
Employee fringe benefits	0	338,322	341	0	0	78,033	0	0
Travel, in-state	7,060	19,385	0	0	0	18,804	0	0
Travel, out-of-state	37	1,339	0	0	0	23,117	0	0
Supplies	1,767	6,359	0	0	0	15,253	0	0
Professional development	3,547	18,851	0	0	0	13,170	0	0
Communication services and supplies	4,309	6,138	0	0	0	3,568	0	0
Professional services	325,771	42,849	0	0	0	44,485	0	0
Agency provided food	101	0	0	0	0	19,234	0	0
Refunds	0	0	4,117	0	0	0	0	0
Program Distributions:								
Aid to local governments	57,897,342	0	0	0	0	0	0	0
Program reimbursements	5,620	702	0	0	1,649,000	3,477,136	0	0
Public assistance payments	0	0	0	0	0	0	0	0
Medical assistance services	0	0	0	0	0	0	0	0
Cost allocations	0	0	0	0	0	0	2,189	565
Other	575	1,963	0	0	0	3,538	0	0
Total Disbursements	58,246,129	1,191,097	5,291	0	1,649,000	3,862,300	2,189	565
RECEIPTS OVER (UNDER) DISBURSEMENTS	25,362	(40,456)	8,881,706	4,425	(1,649,000)	9,321	(2,189)	(450)
<b>TRANSFERS</b>								
Transfers from:								
General Revenue Fund	0	0	0	0	1,649,000	0	0	0
Transfers to:								
Hero at Home Fund	0	0	0	(4,425)	0	0	0	0
Total Transfers	0	0	0	(4,425)	1,649,000	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	25,362	(40,456)	8,881,706	0	0	9,321	(2,189)	(450)
CASH AND INVESTMENTS, JULY 1, 2010	4,497	46,692	8,490	129	18,795	17,807	818,233	451
CASH AND INVESTMENTS, JUNE 30, 2011	\$ 29,859	6,236	8,890,196	129	18,795	27,128	816,044	1



Appendix A-1

Department of Economic Development  
Division of Business and Community Services  
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
Year Ended June 30, 2011

	International Trade Show Revolving Fund*	Missouri Main Street Program Fund	Life Sciences Research Trust Fund*	State Supplemental Downtown Development Fund	Economic Development Advancement Fund*	Missouri Supplemental Tax Increment Financing Fund	Downtown Revitalization Preservation Fund	Total (Memorandum Only)
<b>RECEIPTS</b>								
US Department of Housing and Urban Development	\$ 0	0	0	0	0	0	0	58,903,387
US Department of Treasury	0	0	0	0	0	0	0	8,886,997
US Department of Health and Human Services	0	0	0	0	0	0	0	3,864,621
Other miscellaneous receipts - federal	0	0	0	0	0	0	0	524,605
Other miscellaneous receipts - state	0	0	126,840	0	0	0	0	126,840
Other fees - tax credit and bond application fees	0	0	0	0	4,368,751	0	0	4,368,751
Recovery costs - tobacco settlement**	0	0	33,157,888	0	0	0	0	33,157,888
Interest income	0	0	0	0	33,602	0	2	33,719
Other	23,996	0	0	0	0	0	0	29,561
Total Receipts	23,996	0	33,284,728	0	4,402,353	0	2	109,896,369
<b>DISBURSEMENTS</b>								
Salaries and wages	0	0	0	0	1,283,224	0	0	2,205,208
Employee fringe benefits	0	0	0	0	568,803	0	0	985,499
Travel, in-state	2,243	0	0	0	44,977	0	0	92,469
Travel, out-of-state	6,766	0	0	0	1,717	0	0	32,976
Supplies	7,525	0	0	0	33,020	0	0	63,924
Professional development	1,000	0	0	0	50,940	0	0	87,508
Communication services and supplies	0	0	0	0	19,009	0	0	33,024
Professional services	1,855	0	0	0	2,930,348	0	0	3,345,308
Agency provided food	1,038	0	0	0	291	0	0	20,664
Refunds	4,800	0	0	0	0	0	0	8,917
Program Distributions:								
Aid to local governments	0	0	0	0	0	0	0	57,897,342
Program reimbursements	0	42,614	0	820,625	502,106	8,022,409	176,910	14,697,122
Public assistance payments	0	0	26,313,901	0	0	0	0	26,313,901
Medical assistance services	0	0	7,443,750	0	0	0	0	7,443,750
Cost allocations	62	0	587,526	0	35,488	0	0	625,830
Other	2,500	0	0	0	5,212	0	0	13,788
Total Disbursements	27,789	42,614	34,345,177	820,625	5,475,135	8,022,409	176,910	113,867,230
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,793)	(42,614)	(1,060,449)	(820,625)	(1,072,782)	(8,022,409)	(176,908)	(3,970,861)
<b>TRANSFERS</b>								
Transfers from:								
General Revenue Fund	0	42,614	0	844,225	0	8,022,409	176,910	10,735,158
Transfers to:								
Hero at Home Fund	0	0	0	0	0	0	0	(4,425)
Total Transfers	0	42,614	0	844,225	0	8,022,409	176,910	10,730,733
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(3,793)	0	(1,060,449)	23,600	(1,072,782)	0	2	6,759,872
CASH AND INVESTMENTS, JULY 1, 2010	75,890	0	1,345,177	47,840	4,762,436	0	0	7,146,437
CASH AND INVESTMENTS, JUNE 30, 2011	\$ 72,097	0	284,728	71,440	3,689,654	0	2	13,906,309

\* Disbursements for these funds will not agree to expenditures on Appendix B primarily due to 1) employee fringe benefits and cost allocations handled by the Office of Administration and 2) disbursements made by various other state agencies or DED divisions.

\*\* Receipts for tobacco settlement are collected by the Attorney General's Office.

## Appendix A-2

Department of Economic Development  
Division of Business and Community Services  
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
Year Ended June 30, 2010

	Community Development Block Grant-Pass Through Fund	Community Development Block Grant- Administration Fund*	Department of Economic Development- Federal and Other Fund*	Department of Economic Development- Management Information Systems-Federal/ Other Fund	Missouri Technology Investment Fund*	Community Service Commission- Federal/Other Fund*	Business Extension Service Team Fund*	Missouri Small Business Development Centers Fund*
<b>RECEIPTS</b>								
US Department of Housing and Urban Development	\$ 37,478,128	1,020,491	0	0	0	0	0	0
US Department of Health and Human Services	0	0	0	0	0	3,128,335	0	0
Other miscellaneous receipts - federal	704,363	0	0	0	0	7,055	0	0
Other fees - tax credit and bond application fees	0	0	0	0	0	0	0	0
Recovery costs - tobacco settlement**	0	0	0	0	0	0	0	0
Interest income	0	0	0	0	0	0	0	1,446
Other	0	0	0	450	0	0	0	0
Total Receipts	38,182,491	1,020,491	0	450	0	3,135,390	0	1,446
<b>DISBURSEMENTS</b>								
Salaries and wages	0	661,917	0	0	0	146,892	0	0
Employee fringe benefits	0	288,125	0	0	0	67,738	0	0
Travel, in-state	6,755	21,352	0	0	0	34,494	0	0
Travel, out-of-state	845	2,099	0	0	0	18,305	0	0
Supplies	1,191	9,559	0	0	0	14,309	0	0
Professional development	6,260	21,774	0	0	0	8,186	0	0
Communication services and supplies	4,412	5,155	0	0	0	6,170	0	0
Professional services	449,587	9,462	0	0	0	71,192	0	0
Agency provided food	0	0	0	0	0	48,618	0	0
Refunds	0	0	4,117	0	0	4,800	0	0
Program Distributions:								
Aid to institutions/individuals	0	0	0	0	0	0	0	0
Aid to local governments	37,715,455	0	0	0	0	43,066	0	0
Program reimbursements	0	410	0	0	1,698,318	2,662,032	0	352,500
Public assistance payments	0	0	0	0	0	0	0	0
Medical assistance services	0	0	0	0	0	0	0	0
Cost allocations	0	0	0	0	31,002	0	57	2,870
Other	53	3,834	0	0	0	5,511	0	0
Total Disbursements	38,184,558	1,023,687	4,117	0	1,729,320	3,131,313	57	355,370
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,067)	(3,196)	(4,117)	450	(1,729,320)	4,077	(57)	(353,924)
<b>TRANSFERS</b>								
Transfers from:								
General Revenue Fund	0	0	0	0	0	0	0	345,000
Federal Budget Stabilization Fund	0	0	0	0	1,748,114	0	0	0
Proceeds of Surplus Property Sales Fund	0	0	0	0	0	358	0	0
Transfers to:								
Hero at Home Fund	0	0	0	(450)	0	0	0	0
Total Transfers	0	0	0	(450)	1,748,114	358	0	345,000
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	(2,067)	(3,196)	(4,117)	0	18,794	4,435	(57)	(8,924)
CASH AND INVESTMENTS, JULY 1, 2009	6,564	49,888	12,607	129	1	13,372	818,290	9,375
CASH AND INVESTMENTS, JUNE 30, 2010	\$ 4,497	46,692	8,490	129	18,795	17,807	818,233	451

## Appendix A-2

Department of Economic Development  
Division of Business and Community Services  
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
Year Ended June 30, 2010

	International Trade Show Revolving Fund*	Missouri Main Street Program Fund*	Life Sciences Research Trust Fund*	State Supplemental Downtown Development Fund	Economic Development Advancement Fund*	Missouri Supplemental Tax Increment Financing Fund*	Total (Memorandum Only)
<b>RECEIPTS</b>							
US Department of Housing and Urban Development	\$ 0	0	0	0	0	0	38,498,619
US Department of Health and Human Services	0	0	0	0	0	0	3,128,335
Other miscellaneous receipts - federal	0	0	0	0	0	0	711,418
Other fees - tax credit and bond application fees	0	0	0	0	4,114,973	0	4,114,973
Recovery costs - tobacco settlement**	0	0	35,079,732	0	0	0	35,079,732
Interest income	0	0	0	0	59,513	0	60,959
Other	8,400	0	0	0	235	0	9,085
Total Receipts	8,400	0	35,079,732	0	4,174,721	0	81,603,121
<b>DISBURSEMENTS</b>							
Salaries and wages	0	0	0	0	734,774	0	1,543,583
Employee fringe benefits	0	0	0	0	311,003	0	666,866
Travel, in-state	0	0	0	0	33,593	0	96,194
Travel, out-of-state	2,306	0	0	0	4,483	0	28,038
Supplies	0	0	0	0	5,802	0	30,861
Professional development	0	0	0	0	18,040	0	54,260
Communication services and supplies	0	0	0	0	10,198	0	25,935
Professional services	11	0	4,800	0	2,513,359	0	3,048,411
Agency provided food	0	0	0	0	99	0	48,717
Refunds	0	0	0	0	17,918	0	26,835
<b>Program Distributions:</b>							
Aid to institutions/individuals	0	0	261,200	0	0	0	261,200
Aid to local governments	0	0	0	0	0	0	37,758,521
Program reimbursements	0	43,322	0	831,285	1,228	8,500,000	14,089,095
Public assistance payments	0	0	28,725,000	0	0	0	28,725,000
Medical assistance services	0	0	9,000,000	0	0	0	9,000,000
Cost allocations	124	328	375,349	0	34,004	28,047	471,781
Other	0	0	0	0	43	0	9,441
Total Disbursements	2,441	43,650	38,366,349	831,285	3,684,544	8,528,047	95,884,738
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>5,959</b>	<b>(43,650)</b>	<b>(3,286,617)</b>	<b>(831,285)</b>	<b>490,177</b>	<b>(8,528,047)</b>	<b>(14,281,617)</b>
<b>TRANSFERS</b>							
<b>Transfers from:</b>							
General Revenue Fund	0	43,650	0	875,037	0	8,528,047	9,791,734
Federal Budget Stabilization Fund	0	0	0	0	0	0	1,748,114
Proceeds of Surplus Property Sales Fund	0	0	0	0	0	0	358
<b>Transfers to:</b>							
Hero at Home Fund	0	0	0	0	0	0	(450)
Total Transfers	0	43,650	0	875,037	0	8,528,047	11,539,756
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS</b>	<b>5,959</b>	<b>0</b>	<b>(3,286,617)</b>	<b>43,752</b>	<b>490,177</b>	<b>0</b>	<b>(2,741,861)</b>
<b>CASH AND INVESTMENTS, JULY 1, 2009</b>	<b>69,931</b>	<b>0</b>	<b>4,631,794</b>	<b>4,088</b>	<b>4,272,259</b>	<b>0</b>	<b>9,888,298</b>
<b>CASH AND INVESTMENTS, JUNE 30, 2010</b>	<b>\$ 75,890</b>	<b>0</b>	<b>1,345,177</b>	<b>47,840</b>	<b>4,762,436</b>	<b>0</b>	<b>7,146,437</b>

\* Disbursements for these funds will not agree to expenditures on Appendix B primarily due to 1) employee fringe benefits and cost allocations handled by the Office of Administration and 2) disbursements made by various other state agencies or DED divisions.

\*\* Receipts for tobacco settlement are collected by the Attorney General's Office.

Appendix B

Department of Economic Development  
Division of Business and Community Services  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Marketing Personal Service	\$ 212,634	203,274	9,360	313,080	247,059	66,021
Marketing Expense & Equipment	123,452	89,889	33,563	961,672	733,476	228,196
Sales Personal Service	661,384	609,148	52,236	784,496	646,153	138,343
Sales Expense & Equipment	231,827	218,486	13,341	251,395	216,941	34,454
Finance Personal Service	0	0	0	561,027	548,001	13,026
Finance Expense & Equipment	0	0	0	92,358	83,691	8,667
Compliance Personal Service	66,655	59,699	6,956	118,257	95,310	22,947
Compliance Expense & Equipment	23,604	22,857	747	59,794	34,428	25,366
DED State Owned *	201,256	201,256	0	92,548	92,548	0
Missouri Community Service Commission Personal Service	33,019	28,563	4,456	34,868	30,375	4,493
Missouri Economic Research and Information Center Personal Service	134,736	95,761	38,975	161,339	124,217	37,122
Missouri Economic Research and Information Center Expense & Equipment	21,985	18,517	3,468	23,485	17,804	5,681
Delta Regional Authority	6,839	4,544	2,295	80,784	80,784	0
Delta Regional Authority Personal Service	69,462	12,552	56,910	0	0	0
Delta Regional Authority Expense & Equipment	200	83	117	0	0	0
Total General Revenue Fund	1,787,053	1,564,629	222,424	3,535,103	2,950,787	584,316
DED COMMUNITY DEVELOPMENT BLOCK GRANT (PASS THROUGH) FUND						
Community Development Block Grant	64,000,000	58,246,129	5,753,871	38,200,000	38,184,558	15,442
Total DED Community Development Block Grant (Pass Through) Fund	64,000,000	58,246,129	5,753,871	38,200,000	38,184,558	15,442
DED COMMUNITY DEVELOPMENT BLOCK GRANT (ADMINISTRATION) FUND						
Marketing Personal Service	84,331	63,585	20,746	84,331	64,936	19,395
Marketing Expense & Equipment	52,229	687	51,542	52,229	1,143	51,086
Sales Personal Service	73,014	61,249	11,765	73,014	60,217	12,797
Sales Expense & Equipment	33,484	7,066	26,418	33,484	1,716	31,768
Finance Personal Service	194,232	172,887	21,345	194,232	173,814	20,418
Finance Expense & Equipment	127,170	9,798	117,372	127,170	1,497	125,673
Compliance Personal Service	562,541	429,470	133,071	562,541	331,342	231,199
Compliance Expense & Equipment	216,555	78,955	137,600	216,555	68,616	147,939
Total DED Community Development Block Grant (Administration) Fund	1,343,556	823,697	519,859	1,343,556	703,281	640,275
DEPARTMENT OF ECONOMIC DEVELOPMENT- FEDERAL AND OTHER FUND						
Small Business Credit Personal Service	1,000	833	167	0	0	0
Total Department of Economic Development- Federal and Other Fund	\$ 1,000	833	167	0	0	0

Appendix B

Department of Economic Development  
Division of Business and Community Services  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>JOB DEVELOPMENT AND TRAINING FUND</b>						
Marketing Personal Service	\$ 48,278	8,689	39,589	48,278	0	48,278
DED State Owned *	33,697	33,697	0	35,150	35,150	0
Missouri Economic Research and Information Center Personal Service	1,441,230	907,503	533,727	1,441,230	1,089,297	351,933
Missouri Economic Research and Information Center Expense & Equipment	302,933	105,560	197,373	302,933	125,143	177,790
Total Job Development and Training Fund	1,826,138	1,055,449	770,689	1,827,591	1,249,590	578,001
<b>MISSOURI TECHNOLOGY INVESTMENT FUND</b>						
Kirksville Innovation Center	0	0	0	175,000	100,640	74,360
Joplin Innovation Center	0	0	0	275,000	158,148	116,852
Columbia Innovation Center	0	0	0	250,750	144,203	106,547
Kansas City Innovation Center	0	0	0	150,000	86,263	63,737
St. Joseph Innovation Center	0	0	0	150,000	86,263	63,737
Springfield Innovation Center	0	0	0	150,000	86,263	63,737
Missouri Manufacturing Extension Partnership	0	0	0	2,052,089	403,914	1,648,175
Missouri Technology Corporation-Research Alliance of Missouri Expense & Equipment	1,700,000	1,649,000	51,000	0	0	0
Warrensburg Innovation Center	0	0	0	150,000	86,263	63,737
Rolla Innovation Center	0	0	0	225,056	129,426	95,630
Southeast Missouri Innovation Center	0	0	0	225,000	129,394	95,606
St. Louis Innovation Center	0	0	0	500,000	287,541	212,459
Total Missouri Technology Investment Fund	1,700,000	1,649,000	51,000	4,302,895	1,698,318	2,604,577
<b>COMMUNITY SERVICE COMMISSION-FEDERAL/OTHER FUND</b>						
Missouri Community Service Commission	3,627,562	3,618,305	9,257	3,093,562	2,916,683	176,879
Missouri Community Service Commission Personal Service	188,163	165,962	22,201	188,163	146,892	41,271
Total Community Service Commission-Federal/Other Fund	3,815,725	3,784,267	31,458	3,281,725	3,063,575	218,150
<b>MISSOURI SMALL BUSINESS DEVELOPMENT CENTERS FUND</b>						
Missouri Federal and State Technology Partnership Program	0	0	0	500,000	352,500	147,500
Total Missouri Small Business Development Centers Fund	0	0	0	500,000	352,500	147,500
<b>DEPARTMENT OF ECONOMIC DEVELOPMENT ADMINISTRATIVE FUND</b>						
Administrative Services Expense & Equipment *	82,273	82,273	0	0	0	0
Total Department of Economic Development Administrative Fund	82,273	82,273	0	0	0	0
<b>INTERNATIONAL TRADE SHOW REVOLVING FUND</b>						
Marketing Expense & Equipment	72,238	27,727	44,511	72,238	2,317	69,921
Total International Trade Show Revolving Fund	\$ 72,238	27,727	44,511	72,238	2,317	69,921

Appendix B

Department of Economic Development  
Division of Business and Community Services  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>MISSOURI MAIN STREET PROGRAM FUND</b>						
Main Street Program	\$ 43,204	42,614	590	45,590	43,322	2,268
Total Missouri Main Street Program Fund	43,204	42,614	590	45,590	43,322	2,268
<b>LIFE SCIENCES RESEARCH TRUST FUND</b>						
Administration	0	0	0	266,000	261,200	4,800
Program Distributions	0	0	0	13,034,000	4,800	13,029,200
Total Life Sciences Research Trust Fund	0	0	0	13,300,000	266,000	13,034,000
<b>STATE SUPPLEMENTAL DOWNTOWN DEVELOPMENT FUND</b>						
Missouri Downtown Economic Stimulus Act	1,240,450	820,625	419,825	3,240,450	831,285	2,409,165
Total State Supplemental Downtown Development Fund	1,240,450	820,625	419,825	3,240,450	831,285	2,409,165
<b>ECONOMIC DEVELOPMENT ADVANCEMENT FUND</b>						
Marketing Expense & Equipment	404,720	53,765	350,955	2,789,720	2,524,680	265,040
Sales Personal Service	341,784	341,416	368	341,784	340,844	940
Sales Expense & Equipment	44,540	44,540	0	44,540	44,540	0
Finance Personal Service	750,189	732,802	17,387	188,859	186,579	2,280
Finance Expense & Equipment	87,189	73,161	14,028	30,910	5,555	25,355
Compliance Expense & Equipment	14,991	9,218	5,773	14,991	4,419	10,572
Compliance Personal Service	69,722	64,757	4,965	69,722	64,053	5,669
Economic Development Advancement Fund Refunds	1	0	1	17,919	17,918	1
Marketing Personal Service	50,001	48,610	1,391	50,001	46,584	3,417
Missouri Partnership Expense & Equipment	2,250,000	2,250,000	0	0	0	0
International Trade and Investment Offices Expense & Equipment	650,000	650,000	0	0	0	0
Entrepreneurship Training	500,000	500,000	0	0	0	0
Total Economic Development Advancement Fund	5,163,137	4,768,269	394,868	3,548,446	3,235,172	313,274
<b>MISSOURI SUPPLEMENTAL TAX INCREMENT FINANCING FUND</b>						
State Tax Increment Financing Program	8,724,027	8,022,409	701,618	13,158,455	8,500,000	4,658,455
Total Missouri Supplemental Tax Increment Financing Fund	8,724,027	8,022,409	701,618	13,158,455	8,500,000	4,658,455
<b>DOWNTOWN REVITALIZATION PRESERVATION FUND</b>						
Downtown Revitalization Preservation	184,184	176,910	7,274	134,805	0	134,805
Total Downtown Revitalization Preservation Fund	\$ 184,184	176,910	7,274	134,805	0	134,805

Appendix B

Department of Economic Development  
Division of Business and Community Services  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL STIMULUS-DEPARTMENT OF ECONOMIC DEVELOPMENT FUND						
Community Development Block Grant Non-Entitlement	\$ 1,898,755	1,327,373	571,382	1,047,136	1,042,292	4,844
Economic Development Assistance *	111,897	111,897	0	1,050,213	1,258	1,048,955
Missouri Community Service Commission	868,019	191,468	676,551	631,981	631,981	0
Community Development Block Grant Non-Entitlement Personal Service	91,067	91,067	0	64,350	64,350	0
Labor Market Information Grant Personal Service	227,348	200,969	26,379	72,652	72,652	0
Total Federal Stimulus-Department of Economic Development Fund	3,197,086	1,922,774	1,274,312	2,866,332	1,812,533	1,053,799
Total All Funds	\$ 93,180,071	82,987,605	10,192,466	89,357,186	62,893,238	26,463,948

\* Appropriations and expenditures included those of DED divisions other than Business and Community Services.

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2011	2010
General Revenue Fund	\$	
Personal Service	33,254	102,876
Expense and Equipment	47,450	3,082
Capital Improvements	5,453	3,604
Delta Regional Authority	2,295	0
Total General Revenue Fund	88,452	109,562
Missouri Technology Investment Fund		
Missouri Innovation Centers	0	956,402
Missouri Manufacturing Extension Partnership	0	1,648,175
Total Missouri Technology Investment Fund	0	2,604,577
Missouri Small Business Development Centers Fund		
Missouri Federal and State Technology Partnership Program	0	75,000
Total Missouri Small Business Development Centers Fund	0	75,000
Life Sciences Research Trust Fund		
Administration	0	4,800
Program Distributions	0	13,029,200
Total Life Sciences Research Trust Fund	0	13,034,000
State Supplemental Downtown Development Fund		
Missouri Downtown Economic Stimulus Act	0	1,999,765
Total State Supplemental Downtown Development Fund	0	1,999,765
Missouri Supplemental Tax Increment Financing Fund		
State Tax Increment Financing Program	0	4,630,408
Total Missouri Supplemental Tax Increment Financing Fund	0	4,630,408
Total All Funds	\$ 88,452	22,453,312

## Appendix C

Department of Economic Development  
Division of Business and Community Services  
Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Salaries and wages	\$ 4,298,796	4,332,674	4,373,965	4,626,213	2,926,585
Travel, in-state	187,178	231,313	219,445	243,932	192,891
Travel, out-of-state	55,393	74,669	102,007	105,266	102,515
Supplies	128,875	104,106	113,927	119,324	80,189
Professional development	138,177	211,751	260,753	375,650	364,267
Communication services and supplies	73,894	82,858	83,951	99,461	69,401
Services:					
Professional	3,689,432	3,828,847	3,087,002	3,160,933	1,147,977
Maintenance and repair	45,723	49,681	33,793	46,898	28,482
Equipment:					
Computer	6,392	0	0	509	14,105
Motorized	0	0	0	0	15,170
Office	1,391	18,270	3,186	8,343	36,866
Other	0	44	6,451	4,061	22,988
Real property rentals and leases	242,875	132,544	4,043	55,493	54,847
Equipment rental and leases	426	217	1,648	2,936	13,099
Miscellaneous expenses	24,619	50,875	47,559	82,792	47,852
Refunds	4,800	22,717	116,520	80	11,642
Program distributions:					
Aid to institutions/ individuals	0	261,200	20,875,026	6,661,525	25,177
Aid to local governments	57,897,342	37,758,521	23,204,389	23,420,884	26,870,620
Program reimbursements	16,192,292	15,732,951	14,669,656	29,521,126	24,801,084
Total Expenditures	\$ <u>82,987,605</u>	<u>62,893,238</u>	<u>67,203,321</u>	<u>68,535,426</u>	<u>56,825,757</u>



## Appendix D

### Department of Economic Development Division of Business and Community Services Tax Credit Redemptions

Program	Year Ended June 30,	
	2010	2011
Brownfield Jobs/Investment	\$ 1,650,222	1,620,384
Brownfield Redevelopment	17,590,273	11,432,109
Business Facility	2,883,729	5,682,965
Certified Capital Business	495,459	586,135
Community Development Corporation	5,915	22,703
Development	1,589,618	1,001,142
Distressed Areas Land Assemblage	6,731,635	13,534,347
Dry Fire Hydrant	2,634	7,715
Enhanced Enterprise Zone	2,916,392	4,000,689
Enterprise Zone	1,505,589	1,130,301
Family Development Account	3,000	25,000
Film Production	1,925,158	1,563,218
Historic Preservation	107,973,542	107,767,393
Missouri Quality Jobs	14,238,179	27,936,799
Neighborhood Assistance	10,065,993	8,513,472
Neighborhood Preservation	6,739,123	4,427,639
New Enterprise Creation	77,098	11,499
New Jobs Training	3,228,601	3,175,559
New Markets	0	1,199,285
Qualified Research Expense <sup>1</sup>	890,135	n/a
Rebuilding Communities	1,553,894	1,277,135
Retain Jobs	8,145,996	5,758,163
Small Business Incubator	219,014	107,549
Small Business Investment (Capital)	0	1,701
Transportation Development <sup>1</sup>	9,176	52,124
Wine and Grape Production	112,057	29,411
Youth Opportunities	4,405,158	3,589,991
<b>Totals</b>	<b>194,957,590</b>	<b>204,454,428</b>

n/a - Tax credit did not exist in this fiscal year.

<sup>1</sup> The tax credit has expired or has been repealed.



Thomas A. Schweich  
Missouri State Auditor

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Toad Cove Complex  
Transportation Development  
District  
and  
Toad Cove Resort  
Transportation Development  
District



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September 2012  
Report No. 2012-116

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Toad Cove Complex Transportation Development District and Toad Cove Resort Transportation Development District

Background	The Toad Cove Complex Transportation Development District and the Toad Cove Resort Transportation Development District (TDDs) are located in the City of Lake Ozark. The TDDs were organized in May 2008. The TDDs were formed for the purpose of leasing and operating a parking lot. The Horseshoe Bend Special Road District and Camden County are the public entities with jurisdiction over this project, but, because the project is not located on public transportation or right-of-way, neither entity has accepted dedication of the project.
Board of Directors	The property owners have not met to elect successor directors, and the Board has not met since 2009 and has not adopted budgets for the years ended December 31, 2011 and 2010.
Board Controls	The TDDs did not adequately monitor sales tax revenues, and, as a result, the TDDs did not receive approximately \$23,000 in taxes due to them. After audit staff brought this to the attention of the TDDs' Board Treasurer, the Treasurer and managing corporation prepared amended sales tax returns. The Treasurer does not provide financial records to other Board members for review and approval, and the TDDs did not timely submit 2010 or 2009 financial statements to the State Auditor's office. Both of the TDDs may be subject to a maximum fine of \$292,500 for the late filing, but the law does not establish the agency responsible for assessment and collection authority of these fines.

In the areas audited, the overall performance of this entity was **Poor**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Toad Cove Complex Transportation Development District and the Toad Cove Resort Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Toad Cove Complex Transportation Development District and Toad Cove Resort Transportation Development District Table of Contents

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Roger Rand, Chairman  
and  
Board of Directors  
and  
Property Owners,  
Toad Cove Complex Transportation Development District  
and  
Toad Cove Resort Transportation Development District  
City of Lake Ozark, Missouri

We have audited certain operations of the Toad Cove Complex Transportation Development District and the Toad Cove Resort Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the districts' internal controls over significant management and financial functions.
2. Evaluate the districts' compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the districts, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the districts' management and was not subjected to the procedures applied in our audit of the districts.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Toad Cove Complex Transportation Development District and Toad Cove Resort Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Wayne Kauffman, MBA

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# Toad Cove Complex Transportation Development District and Toad Cove Resort Transportation Development District Management Advisory Report - State Auditor's Findings

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## **1. Board of Directors**

The Toad Cove Complex Transportation Development District and Toad Cove Resort Transportation Development District (TDDs) property owners have not elected successor directors. The TDDs' Board indicated it has not met since 2009, and, as a result, the Board has not adopted annual budgets as required by state law.

### **1.1 Successor directors**

The property owners have not met to elect successors for directors whose initial terms on the TDDs' Board have expired.

In 2008, the original property owner established a Board of Directors for each TDD under Section 238.220.2, RSMo, which requires the Directors to be composed of owners or representatives of owners of real property in the district. The terms of the initial directors expired on January 31, 2009, 2010, and 2011. However, those original Directors or others subsequently appointed to the Board by the original Directors continue to serve as the Directors.

Section 238.220.2(3), RSMo, requires successor directors to be elected by the property owners. Section 238.202.2(2)(b), RSMo, allows votes of other qualified voters to be included with the property owners' votes.

### **1.2 Board meetings/budgets**

The Boards' Chairman and Treasurer indicated a Board meeting had not been held since 2009, and budgets were not adopted for the years ended December 31, 2011 and 2010. There are no legal requirements which stipulate the frequency of Board meetings and the Board has not adopted a policy on the frequency of Board meetings. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets. Board meetings, conducted at least annually, to review and approve the budget appear necessary for the Board to properly fulfill their duties as described in state law.

## **Recommendations**

1.1 The TDDs' property owners and other qualified voters elect Directors to serve on the Board in accordance with state law.

1.2 The TDDs' Board conduct a meeting at least annually to properly fulfill their duties, including adopting budgets annually as required by state law.

## **Auditee's Response**

*The Toad Cove Complex TDD property owners and the Toad Cove Resort TDD property owners declined to provide a response.*

*The TDDs' Board provided the following written responses:*

1.1 *The TDD Board recognizes and acknowledges the statutory requirements for election of directors to serve on the Board.*



Toad Cove Complex Transportation Development District and  
Toad Cove Resort Transportation Development District  
Management Advisory Report - State Auditor's Findings

*1.2 The TDD Board will implement plans to conduct a meeting at least annually to properly fulfill their duties.*

## 2. Board Controls

Adequate controls were not implemented to ensure proper supervision of revenues, financial records and transactions, and financial reporting compliance.

### 2.1 Sales tax

Sales tax revenues were not adequately monitored by the TDDs and as a result, taxes due to the TDDs totaling approximately \$23,000 were not received by the TDDs.

The businesses in both TDDs which generate TDD sales tax revenues remit sales taxes collected from customers to the Missouri Department of Revenue (DOR) each month. These businesses are managed by the same corporation. The DOR remits sales taxes to the TDDs based on the information included in the businesses' sales tax returns. The Toad Cove Complex TDD did not receive sales tax payments from the DOR for 7 months during 2011 including 6 consecutive months between June and November 2011.

A review of the sales tax returns, provided by the TDDs' Board Treasurer, for the businesses in both TDDs determined the managing corporation was reporting sales of one of the TDD's businesses under an address location associated with another business located outside the TDDs. The non-TDD business had ceased operations as of November 2010, but sales tax was reported incorrectly from this business location instead of the applicable TDD businesses. After we brought this to the attention of the TDDs' Board Treasurer, the Treasurer worked with the managing corporation to prepare amended sales tax returns for the businesses in both of the TDDs. The amended sales tax returns, which had been submitted to the managing corporation for review, indicate approximately \$23,000 is due to the TDDs.

Adequate management practices to ensure the TDDs are receiving appropriate sales tax receipts would include a review of the monthly payments from the DOR for reasonableness. Payments which are not consistent with expectations should be investigated by making inquiries with the reporting businesses and the DOR.

### 2.2 Supervision

The TDDs' Board Treasurer maintains financial records including financial statements, bank statements, bank reconciliations, and invoices; but these records are not submitted to other Board members for review and approval. Nine disbursements of the TDDs were reviewed and none of the nine invoices, totaling over \$32,000, were reviewed and approved by other Board members. In addition, a detailed invoice could not be provided to support a \$3,000 payment.





## Toad Cove Complex Transportation Development District and Toad Cove Resort Transportation Development District Management Advisory Report - State Auditor's Findings

Without adequate reviews of financial records, the TDDs' Board has less assurance the financial reports and transactions are proper.

### 2.3 Financial statements

The TDDs did not submit the 2010 or 2009 financial statements to the State Auditor's office (SAO) timely. The 2010 financial statements were submitted on August 18, 2011, 110 days after they were due. The 2009 financial statements were submitted on August 18, 2011, 475 days after they were due. Both of the TDDs may be subject to a maximum fine of \$292,500 for the late filing. However, the law does not establish the agency responsible for assessment and collection authority of these fines (see report No. 2012-13, *Transportation Development Districts*, issued in February 2012). The 2011 financial statements were filed in April 2012, as required.

Section 105.145, RSMo, requires TDDs to file annual financial statements with the SAO. Section 105.148.8, RSMo, states any district that fails to timely submit a copy of the annual financial statement with the SAO shall be subject to a fine not to exceed \$500 per day. 15 CSR-40.30.030 provides if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year end, while an audit report is to be filed within 6 months of the entity's fiscal year end.

### Recommendations

The TDDs' Board:

- 2.1 Ensure reviews are performed to verify the reasonableness of sales taxes received.
- 2.2 Review and approve financial reports and transactions prepared by the Board Treasurer and retain original invoices to support all disbursements.
- 2.3 File annual financial statements with the SAO timely.

### Auditee's Response

*The TDDs' Board provided the following written responses:*

- 2.1 *The TDD Board will implement procedures to ensure that reviews are performed to verify the reasonableness of sales taxes received.*
- 2.2 *The TDD Board will implement procedures to cause review and approval of financial reports and transactions and will implement procedures to retain original invoices to document all disbursements.*
- 2.3 *The TDD Board will implement procedures to assure that annual financial statements are timely filed in the future.*

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# Toad Cove Complex Transportation Development District and Toad Cove Resort Transportation Development District Organization and Statistical Information

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The Toad Cove Complex Transportation Development District and the Toad Cove Resort Transportation Development District (TDDs) are located in the City of Lake Ozark. The TDDs were organized in May 2008 by petition of the owner of property within the proposed TDDs. The retail establishments located within the TDDs collect and remit the TDD sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR remits the monies to the TDDs.

The TDDs have a fiscal year end of December 31 and did not have independent audits performed for the 2 years ended December 31, 2011.

The TDDs were formed for the purpose of leasing and operating a parking lot located outside the districts' boundaries for use by the public and the TDDs' businesses with an initial estimated cost of between \$2 million and \$3 million. The terms of the subsequent lease agreement indicate maximum estimated costs total approximately \$7.5 million although an appraisal of the fair rental value indicates a fair value estimated cost of approximately \$3.1 million for the leased property. The property owner at the time the TDDs' were formed owned the revenue producing business properties and the parking lot. Ownership of the revenue producing business properties in the Toad Cove Complex TDD and the Toad Cove Resort TDD changed in January 2010. The original owner no longer has controlling ownership of the TDDs' revenue producing properties but still owns the parking lot. The TDDs' Board of Directors passed a 1-cent (1 percent) sales tax for 40 years. The Horseshoe Bend Special Road District and Camden County are the public entities with jurisdiction over this project. However, because the project is not located on public transportation or right-of-way, neither entity has accepted dedication of the project.

## District Boards

The TDDs' Boards, appointed by the property owner, act as the policy-making body for both districts' operations. The Boards' five members serve 3-year terms without compensation. The same members serve on both Boards. Members of the Boards at December 31, 2011, were:

Roger Rand, Chairman  
Christina Vandervort, Secretary and Vice Chair  
Merlyn Vandervort II, Assistant Secretary  
Rhonda Martin, Treasurer  
Ray Salassa, Member

## American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Toad Cove Complex Transportation Development District and the Toad Cove Resort Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



Toad Cove Complex Transportation Development District and  
Toad Cove Resort Transportation Development District  
Organization and Statistical Information

Financial Activity

A summary of the districts' financial activity for the 2 years ended December 31, 2011, follows:

		Toad Cove Complex TDD	
		Year Ended December 31,	
		2011	2010
Receipts:			
Sales taxes	\$	3,819	19,696
Total Receipts		3,819	19,696
Disbursements:			
Parking lot lease		3,877	23,733
Repairs and maintenance		958	414
Electricity		581	1,125
Total Disbursements		5,416	25,272
Receipts Over (Under) Disbursements		(1,597)	(5,576)
Beginning Cash Balance		1,748	7,324
Ending Cash Balance	\$	151	1,748

		Toad Cove Resort TDD	
		Year Ended December 31,	
		2011	2010
Receipts:			
Sales taxes	\$	22,104	15,788
Total Receipts		22,104	15,788
Disbursements:			
Parking lot lease		18,601	18,057
Repairs and maintenance		4,054	0
Electricity		825	0
Total Disbursements		23,480	18,057
Receipts Over (Under) Disbursements		(1,376)	(2,269)
Beginning Cash Balance		1,501	3,770
Ending Cash Balance	\$	125	1,501



**Thomas A. Schweich**  
Missouri State Auditor

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# Stardust-Munger-Diamond Transportation Development District



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September 2012  
Report No. 2012-115

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Stardust-Munger-Diamond Transportation Development District

Background	The Stardust-Munger-Diamond Transportation Development District (TDD) was organized in October 2001 and is located in the City of Hannibal. The TDD Board approved a 1/4-cent sales tax on all taxable transactions within the TDD. It later approved increasing the tax to 5/8-cent. The TDD was formed for the purpose of constructing approximately \$1.7 million worth of transportation projects. Full payment of the final bond obligation was made in May 2012. On March 30, 2012, the TDD Board approved resolutions formalizing its intent to dissolve the TDD and repealing its sales tax, and the State Auditor's office was notified.
Statutory Requirement	Section 238.275, RSMo, requires the State Auditor to determine the financial status of a TDD before it may be abolished. The law prohibits the abolishment of a TDD while there are outstanding claims or causes of action pending against it; if its liabilities exceed its assets; or while the TDD is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.
Financial Status	The Stardust-Munger-Diamond TDD had a cash balance of \$2,508 at March 31, 2012. The TDD subsequently received sales tax collections in April, May and June, bringing its account balance to \$53,000 as of June 30, 2012. The TDD's legal counsel estimates the expected remaining costs and obligations to be \$825. Based on legal counsel's representations, TDD assets will be sufficient to pay the remaining costs and obligations. The remaining balance will be transferred to the City of Hannibal after the July 2012 tax revenues are received. Based upon our audit, the Board of Directors may proceed with the abolishment of the Stardust-Munger-Diamond TDD.

Because of the limited objective of this audit, no overall rating is provided.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Stardust-Munger-Diamond TDD did not receive any federal stimulus monies during the audited time period.
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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Jeff LaGarce, Chairman  
and  
Board of Directors  
Stardust-Munger-Diamond Transportation Development District  
Hannibal, Missouri

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On March 30, 2012, the Board of Directors of the Stardust-Munger-Diamond Transportation Development District approved a resolution of its intent to dissolve the district and request an audit as required by statute. The State Auditor was subsequently notified of this resolution.

The district engaged Wade Stables P.C., Certified Public Accountants (CPAs) to audit the district's financial statements for the years ended December 31, 2011 and 2010. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011, and the period from January 1 through March 31, 2012. The objectives of our audit were to evaluate the financial status of the district and determine whether it may be abolished pursuant to law.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; and interviewing various personnel of the district, as well as certain external parties. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The audit determined the Board of Directors can proceed with abolishment of the district in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our finding arising from our audit of the Stardust-Munger-Diamond Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Joyce Thomson



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# Stardust-Munger-Diamond Transportation Development District Management Advisory Report - State Auditor's Findings

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## **Financial Status**

Our audit of the Stardust-Munger-Diamond Transportation Development District (TDD) indicates the financial condition of the TDD is such that it may be abolished.

The Stardust-Munger-Diamond TDD is located in the City of Hannibal. The TDD was organized in October 2001 by petition of the owners/developer of property within the proposed TDD. The Board of Directors and officers include the property owners/developer and Mayor, Manager, and Public Works Director for the City of Hannibal. The retail establishments within the TDD collected and remitted the TDD sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR distributed the monies to the TDD.

The TDD was formed for the purpose of constructing transportation projects with a cost of approximately \$1.7 million, and has a fiscal year end of December 31. The TDD Board approved a 1/4-cent sales tax on all transactions which are taxable within the boundaries of the TDD, effective November 2001. The sales tax was expected to remain in effect until April 15, 2023, unless terminated sooner. An increase in the sales tax to 5/8-cent was subsequently approved by the TDD Board, effective January 2004. The Missouri Department of Transportation and the City of Hannibal are the public entities with jurisdiction over the projects and accepted dedication of the projects.

The TDD financed the transportation projects in 2001 with a \$1.7 million revenue note. The City of Hannibal refunded the revenue note in May 2002 with proceeds from a \$9.5 million Tax Increment and Transportation Development Refunding and Improvement Revenue Bond issuance. In January 2006, the city refunded the 2002 bonds with proceeds from an \$8.3 million Tax Increment and Transportation Development Refunding and Improvement Revenue Bond issuance.

The TDD entered into an intergovernmental cooperation agreement in 2002 with the City of Hannibal obligating the TDD to use certain net sales tax revenues to pay the principal and interest of the portion of the 2002 bonds issued to finance the TDD transportation projects. The agreement was amended in 2006 to reflect the repayment of the 2002 bonds and obligated the TDD to use certain sales tax revenues to pay a portion of the principal and interest of the 2006 bond issuance.

On March 30, 2012, the Stardust-Munger-Diamond TDD Board approved resolutions formalizing its intent to dissolve the TDD and repealing its sales tax upon full repayment of the Series 2006 Bonds or as soon thereafter as the DOR could cease collections. Full payment of the bond obligation was made in May 2012. In April 2012, the TDD's legal counsel advised the State Auditor's office (SAO) of the Board's intent to dissolve the TDD and



Stardust-Munger-Diamond  
Transportation Development District  
Management Advisory Report - State Auditor's Findings

requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo.

The SAO has performed an audit of the Stardust-Munger-Diamond TDD as required by Section 238.275, RSMo. That statute requires the State Auditor to audit the TDD to determine its financial status, and determine whether the TDD may be abolished pursuant to law. That law also states the board shall not propose the question to abolish the TDD while there are outstanding claims or causes of action pending against it, if its liabilities exceed its assets, or while the TDD is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

The following table presents the financial activity and cash balances of the TDD for the 2 years ended December 31, 2011, and the period from January 1 through March 31, 2012:

	Period January 1, 2012 to March 31,	Year Ended December 31,	
	2012	2011	2010
RECEIPTS			
Sales taxes	\$ 121,120	436,428	404,332
Interest	45	189	590
Total Receipts	121,165	436,617	404,922
DISBURSEMENTS			
Legal	659	1,000	901
Administration	2,900	2,900	2,900
Collection fees	0	0	909
Auditing	0	3,600	3,500
Debt service	60,597	208,359	214,680
Tax increment financing	56,982	218,179	221,287
Miscellaneous	35	105	105
Total Disbursements	121,173	434,143	444,282
RECEIPTS OVER (UNDER)	(8)	2,474	(39,360)
DISBURSEMENTS			
BEGINNING CASH	2,516	42	39,402
ENDING CASH	\$ 2,508	2,516	42

Based on our audit, the cash balance of the TDD at March 31, 2012, is \$2,508. The TDD subsequently received sales tax collections in April, May and June, maintaining a balance in its account of approximately \$53,000 as of June 30, 2012. The TDD's legal counsel estimates the outstanding liabilities for final administrative costs (legal costs) to be \$825. Based on



Stardust-Munger-Diamond  
Transportation Development District  
Management Advisory Report - State Auditor's Findings

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legal counsel's representations, TDD assets will be sufficient to pay any remaining costs and obligations. The remaining balance will be transferred to the City of Hannibal after July 2012 tax revenues are received.

Based on our audit, the Board of Directors can proceed with the abolishment of the TDD in accordance with Section 238.275, RSMo.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Knox County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Knox County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey-Beard-Boehmer PC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-114

**FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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**CASEY-BEARD-BOEHMER PC  
CERTIFIED PUBLIC ACCOUNTANTS  
COLUMBIA, MISSOURI**

**KNOX COUNTY, MISSOURI  
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## **INDEPENDENT AUDITORS' REPORT**

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

August 31, 2012

## INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Knox County, Missouri

We have audited the accompanying financial statements of Knox County, Missouri, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of Knox County, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, Knox County, Missouri, prepares its financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Knox County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts, disbursements, and changes in cash of the funds of Knox County, Missouri, as of December 31, 2011 and 2010, and budgetary results for the years then ended on the basis of accounting described in Note 1.

MEMBER  
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Public  
Accountants  
•  
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Society of  
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Accountants  
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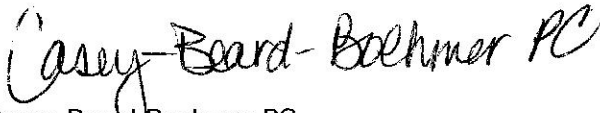


**KNOX COUNTY, MISSOURI**  
**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012 on our consideration of Knox County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the Missouri State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC  
Certified Public Accountants

## **FINANCIAL STATEMENTS**

**KNOX COUNTY, MISSOURI**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Fund	Cash January 1, 2010	Receipts	Disbursements	Cash December 31, 2010	Receipts	Disbursements	Cash December 31, 2011
General Revenue	\$ 49,705	709,480	751,457	7,728	809,305	675,312	141,721
Special Road and Bridge	216,241	1,269,737	1,031,163	454,815	1,572,905	1,661,404	366,316
Assessment	36,257	117,485	101,890	51,852	91,897	91,140	52,609
Law Enforcement	6,352	223,843	227,372	2,823	226,137	211,487	17,473
Local Emergency Planning Committee	24	1	-	25	-	-	25
Children's Trust	7,342	945	-	8,287	1,009	-	9,296
Election	1,392	13,623	14,401	614	1,248	1,645	217
Crime	2,789	3,732	2,557	3,964	1,121	1,748	3,337
Prosecuting Attorney Training	944	174	507	611	176	435	352
Help America Vote Act (HAVA)	175	4	-	179	533	-	712
Sever Lake	29,208	17,923	8,356	38,775	18,089	7,529	49,335
Rock Creek Cemetery	208	155	300	63	152	100	115
Sheriff's Fees	4,107	7,452	6,469	5,090	5,620	7,020	3,690
Law Enforcement Training	200	1,385	1,123	462	1,185	1,316	331
Technology	2,903	1,079	2,500	1,482	1,163	-	2,645
User Fees	2,593	1,751	377	3,967	1,930	-	5,897
Collector's Maintenance	16,154	6,730	6,027	16,857	6,280	1,905	21,232
Economic Development	109,248	2,488	10,000	101,736	2,205	-	103,941
Interest and Fines	41,474	29,275	26,243	44,506	28,436	32,533	40,409
Revolving	943	425	-	1,368	585	-	1,953
Restitution	5,828	1,697	282	7,243	2,821	7,200	2,864
Davis Cemetery	719	16	200	535	12	330	217
Totals	\$ 534,806	2,409,400	2,191,224	752,982	2,772,809	2,701,104	824,687

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>General Revenue Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Property taxes	\$ 199,800	199,797	(3)	\$ 190,958	199,588	8,630
Sales taxes	270,000	290,981	20,981	275,000	278,865	3,865
Intergovernmental	10,429	73,174	62,745	23,476	68,801	45,325
Charges for services	138,950	91,846	(47,104)	150,361	88,130	(62,231)
Interest	2,000	2,120	120	5,000	2,441	(2,559)
Other	53,977	62,796	8,819	64,813	21,567	(43,246)
Transfers in	114,591	88,591	(26,000)	53,168	50,088	(3,080)
Total Receipts	\$ 789,747	809,305	19,558	\$ 762,776	709,480	(53,296)
<b>DISBURSEMENTS</b>						
General County Government-						
County Commission	\$ 75,008	73,235	(1,773)	\$ 77,707	74,578	(3,129)
County Clerk	57,839	57,050	(789)	57,208	57,110	(98)
Elections	5,733	3,482	(2,251)	30,000	17,770	(12,230)
Buildings and grounds	58,780	55,575	(3,205)	84,280	64,918	(19,362)
Employee fringe benefits	133,209	116,303	(16,906)	119,410	116,997	(2,413)
County Treasurer	35,950	35,817	(133)	35,260	34,887	(373)
County Collector	60,451	61,669	1,218	60,451	59,864	(587)
Recorder of Deeds	41,000	39,273	(1,727)	46,460	44,215	(2,245)
Circuit Clerk	15,700	13,101	(2,599)	17,950	10,423	(7,527)
Court Administration	970	614	(356)	806	480	(326)
Public Administrator	23,304	22,752	(552)	23,505	22,625	(880)
Other	49,656	39,108	(10,548)	57,052	53,965	(3,087)
Public Safety-						
Prosecuting Attorney	65,042	66,242	1,200	64,753	63,266	(1,487)
Juvenile Officer	21,900	21,900	-	18,506	18,506	-
County Coroner	12,585	11,033	(1,552)	15,698	12,334	(3,364)
Court Reporter	427	206	(221)	429	263	(166)
Transfers out	53,600	53,700	100	98,000	99,256	1,256
Emergency Fund	22,003	4,252	(17,751)	2,584	-	(2,584)
Total Disbursements	\$ 733,157	675,312	(57,845)	\$ 810,059	751,457	(58,602)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 56,590	133,993	77,403	\$ (47,283)	(41,977)	5,306
CASH, JANUARY 1	7,728	7,728	-	49,705	49,705	-
CASH, DECEMBER 31	\$ 64,318	141,721	77,403	\$ 2,422	7,728	5,306

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Special Road and Bridge Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Property taxes	\$ 439,000	430,921	(8,079)	\$ 415,790	430,694	14,904
Sales taxes	135,000	145,581	10,581	135,000	139,463	4,463
Intergovernmental	815,501	874,349	58,848	496,049	519,393	23,344
Interest	-	12,936	12,936	10,000	10,676	676
Other	53,000	109,118	56,118	72,734	169,511	96,777
Total Receipts	\$ 1,442,501	1,572,905	130,404	\$ 1,129,573	1,269,737	140,164
<b>DISBURSEMENTS</b>						
Salaries	\$ 272,000	265,538	(6,462)	\$ 260,000	260,418	418
Employee fringe benefits	57,000	44,979	(12,021)	71,000	59,183	(11,817)
Supplies	275,300	235,850	(39,450)	218,800	179,973	(38,827)
Insurance	22,000	21,823	(177)	22,000	21,219	(781)
Materials	497,000	473,724	(23,276)	489,500	398,424	(91,076)
Equipment repairs	70,000	29,942	(40,058)	70,000	55,158	(14,842)
Rentals	16,000	7,630	(8,370)	26,000	4,050	(21,950)
Capital outlay	101,500	97,261	(4,239)	29,000	8,511	(20,489)
Construction	434,351	395,701	(38,650)	63,900	2,962	(60,938)
Other	2,660	1,565	(1,095)	5,660	1,641	(4,019)
Transfers out	87,391	87,391	-	35,868	39,624	3,756
Total Disbursements	\$ 1,835,202	1,661,404	(173,798)	\$ 1,291,728	1,031,163	(260,565)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (392,701)	(88,499)	304,202	\$ (162,155)	238,574	400,729
CASH, JANUARY 1	454,815	454,815	-	216,241	216,241	-
CASH, DECEMBER 31	\$ 62,114	366,316	304,202	\$ 54,086	454,815	400,729

<b>Assessment Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Intergovernmental	\$ 90,515	78,825	(11,690)	\$ 84,416	89,630	5,214
Charges for services	500	-	(500)	1,000	1,392	392
Interest	1,000	1,550	550	1,000	1,446	446
Other	-	1,522	1,522	1,000	17	(983)
Transfers in	10,000	10,000	-	25,000	25,000	-
Total Receipts	\$ 102,015	91,897	(10,118)	\$ 112,416	117,485	5,069
<b>DISBURSEMENTS</b>						
Assessor	\$ 34,967	34,967	-	\$ 34,967	34,967	-
Salaries	38,945	31,589	(7,356)	33,774	33,774	-
Employee fringe benefits	14,245	5,092	(9,153)	14,245	7,908	(6,337)
Materials and supplies	2,750	2,075	(675)	2,750	1,741	(1,009)
Services and other	23,358	17,417	(5,941)	34,533	23,500	(11,033)
Total Disbursements	\$ 114,265	91,140	(23,125)	\$ 120,269	101,890	(18,379)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (12,250)	757	13,007	\$ (7,853)	15,595	23,448
CASH, JANUARY 1	51,852	51,852	-	36,257	36,257	-
CASH, DECEMBER 31	\$ 39,602	52,609	13,007	\$ 28,404	51,852	23,448

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Law Enforcement Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over ( Under) Budget
<b>RECEIPTS</b>						
Sales taxes	\$ 140,000	145,490	5,490	\$ 140,000	139,432	(568)
Intergovernmental	55,000	9,000	(46,000)	45,000	-	(45,000)
Charges for services	8,500	18,655	10,155	20,000	7,512	(12,488)
Interest	500	550	50	1,000	460	(540)
Other	6,100	2,842	(3,258)	10,000	5,939	(4,061)
Transfers in	43,600	49,600	6,000	80,000	70,500	(9,500)
Total Receipts	\$ 253,700	226,137	(27,563)	\$ 296,000	223,843	(72,157)
<b>DISBURSEMENTS</b>						
Salaries	\$ 170,926	175,336	4,410	\$ 187,288	182,986	(4,302)
Office expense	3,870	1,846	(2,024)	3,000	3,340	340
Equipment	57,700	15,430	(42,270)	50,200	2,968	(47,232)
Mileage	500	722	222	9,000	7,350	(1,650)
Other	23,400	18,153	(5,247)	31,750	30,728	(1,022)
Total Disbursements	\$ 256,396	211,487	(44,909)	\$ 281,238	227,372	(53,866)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,696)	14,650	17,346	\$ 14,762	(3,529)	(18,291)
CASH, JANUARY 1	2,823	2,823	-	6,352	6,352	-
CASH, DECEMBER 31	\$ 127	17,473	17,346	\$ 21,114	2,823	(18,291)

<b>Local Emergency Planning Committee Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Interest	\$ 1	-	(1)	\$ 1	1	-
Total Receipts	\$ 1	-	(1)	\$ 1	1	-
<b>DISBURSEMENTS</b>						
Other	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1	-	(1)	\$ 1	1	-
CASH, JANUARY 1	25	25	-	24	24	-
CASH, DECEMBER 31	\$ 26	25	(1)	\$ 25	25	-

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Children's Trust Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 850	823	(27)	\$ 1,000	767	(233)
Interest	180	186	6	160	178	18
Total Receipts	\$ 1,030	1,009	(21)	\$ 1,160	945	(215)
DISBURSEMENTS						
Other	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,030	1,009	(21)	\$ 1,160	945	(215)
CASH, JANUARY 1	8,287	8,287	-	7,342	7,342	-
CASH, DECEMBER 31	\$ 9,317	9,296	(21)	\$ 8,502	8,287	(215)

<b>Election Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 13,150	1,093	(12,057)	\$ 13,500	6,035	(7,465)
Interest	50	19	(31)	115	77	(38)
Transfers in	-	136	136	5,000	7,511	2,511
Total Receipts	\$ 13,200	1,248	(11,952)	\$ 18,615	13,623	(4,992)
DISBURSEMENTS						
Judges	\$ 3,000	-	(3,000)	\$ 3,200	2,818	(382)
Supplies	342	1,366	1,024	800	106	(694)
Mileage	1,000	279	(721)	2,000	2,010	10
Services and other	6,203	-	(6,203)	8,800	6,245	(2,555)
Refund for cost	3,222	-	(3,222)	500	1,382	882
Transfers out	-	-	-	4,000	1,840	(2,160)
Total Disbursements	\$ 13,767	1,645	(12,122)	\$ 19,300	14,401	(4,899)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (567)	(397)	170	\$ (685)	(778)	(93)
CASH, JANUARY 1	614	614	-	1,392	1,392	-
CASH, DECEMBER 31	\$ 47	217	170	\$ 707	614	(93)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Crime Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 3,700	1,043	(2,657)	\$ 3,500	3,640	140
Interest	95	78	(17)	150	92	(58)
Total Receipts	\$ 3,795	1,121	(2,674)	\$ 3,650	3,732	82
DISBURSEMENTS						
State of Missouri	\$ 500	145	(355)	\$ 600	420	(180)
Training	3,500	692	(2,808)	3,500	1,955	(1,545)
Computer	1,500	911	(589)	800	182	(618)
Total Disbursements	\$ 5,500	1,748	(3,752)	\$ 4,900	2,557	(2,343)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,705)	(627)	1,078	\$ (1,250)	1,175	2,425
CASH, JANUARY 1	3,964	3,964	-	2,789	2,789	-
CASH, DECEMBER 31	\$ 2,259	3,337	1,078	\$ 1,539	3,964	2,425

<b>Prosecuting Attorney Training Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 180	87	(93)	\$ 225	155	(70)
Interest	20	9	(11)	25	19	(6)
Other	-	80	80	-	-	-
Total Receipts	\$ 200	176	(24)	\$ 250	174	(76)
DISBURSEMENTS						
Transcripts	\$ -	-	-	\$ 100	-	(100)
Training	500	435	(65)	300	507	207
Total Disbursements	\$ 500	435	(65)	\$ 400	507	107
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (300)	(259)	41	\$ (150)	(333)	(183)
CASH, JANUARY 1	611	611	-	944	944	-
CASH, DECEMBER 31	\$ 311	352	41	\$ 794	611	(183)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS



**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Help America Vote Act (HAVA) Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 4	8	4	\$ 5	4	(1)
Other	-	525	525	-	-	-
Total Receipts	\$ 4	533	529	\$ 5	4	(1)
DISBURSEMENTS						
Other	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 4	533	529	\$ 5	4	(1)
CASH, JANUARY 1	179	179	-	175	175	-
CASH, DECEMBER 31	\$ 183	712	529	\$ 180	179	(1)

<b>Sever Lake Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 17,200	17,211	11	\$ 27,000	17,211	(9,789)
Interest	700	866	166	500	700	200
Other	12	12	-	250	12	(238)
Total Receipts	\$ 17,912	18,089	177	\$ 27,750	17,923	(9,827)
DISBURSEMENTS						
Mowing	\$ 6,500	5,290	(1,210)	\$ 6,800	6,487	(313)
Materials and supplies	4,000	2,239	(1,761)	8,432	1,869	(6,563)
Total Disbursements	\$ 10,500	7,529	(2,971)	\$ 15,232	8,356	(6,876)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 7,412	10,560	3,148	\$ 12,518	9,567	(2,951)
CASH, JANUARY 1	38,775	38,775	-	29,208	29,208	-
CASH, DECEMBER 31	\$ 46,187	49,335	3,148	\$ 41,726	38,775	(2,951)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Rock Creek Cemetery Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 200	152	(48)	\$ 200	155	(45)
Total Receipts	\$ 200	152	(48)	\$ 200	155	(45)
DISBURSEMENTS						
Mowing	\$ 100	100	-	\$ 300	300	-
Total Disbursements	\$ 100	100	-	\$ 300	300	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 100	52	(48)	\$ (100)	(145)	(45)
CASH, JANUARY 1	63	63	-	208	208	-
CASH, DECEMBER 31	\$ 163	115	(48)	\$ 108	63	(45)

<b>Sheriff's Fees Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 169	-	(169)	\$ 4,000	720	(3,280)
Charges for services	5,720	5,498	(222)	10,500	6,612	(3,888)
Interest	150	122	(28)	350	120	(230)
Total Receipts	\$ 6,039	5,620	(419)	\$ 14,850	7,452	(7,398)
DISBURSEMENTS						
Mules	\$ 1,335	-	(1,335)	\$ 870	1,335	465
Equipment	535	360	(175)	600	535	(65)
Training	1,306	2,006	700	500	1,306	806
Dues	3,225	3,150	(75)	3,150	3,225	75
Miscellaneous	68	1,504	1,436	1,000	68	(932)
Transfers out	-	-	-	12,000	-	(12,000)
Total Disbursements	\$ 6,469	7,020	551	\$ 18,120	6,469	(11,651)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (430)	(1,400)	(970)	\$ (3,270)	983	4,253
CASH, JANUARY 1	5,090	5,090	-	4,107	4,107	-
CASH, DECEMBER 31	\$ 4,660	3,690	(970)	\$ 837	5,090	4,253

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Law Enforcement Training Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 350	320	(30)	\$ 1,100	336	(764)
Charges for services	500	500	-	925	500	(425)
Interest	9	7	(2)	15	9	(6)
Other	300	358	58	500	540	40
Total Receipts	\$ 1,159	1,185	26	\$ 2,540	1,385	(1,155)
DISBURSEMENTS						
Training	\$ 1,072	1,316	244	\$ 2,000	1,123	(877)
Total Disbursements	\$ 1,072	1,316	244	\$ 2,000	1,123	(877)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 87	(131)	(218)	\$ 540	262	(278)
CASH, JANUARY 1	462	462	-	200	200	-
CASH, DECEMBER 31	\$ 549	331	(218)	\$ 740	462	(278)

<b>Technology Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,000	1,121	121	\$ 1,000	1,038	38
Interest	10	42	32	10	41	31
Total Receipts	\$ 1,010	1,163	153	\$ 1,010	1,079	69
DISBURSEMENTS						
Computer equipment	\$ 1,000	-	(1,000)	\$ 3,500	2,500	(1,000)
Total Disbursements	\$ 1,000	-	(1,000)	\$ 3,500	2,500	(1,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 10	1,163	1,153	\$ (2,490)	(1,421)	1,069
CASH, JANUARY 1	1,482	1,482	-	2,903	2,903	-
CASH, DECEMBER 31	\$ 1,492	2,645	1,153	\$ 413	1,482	1,069

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>User Fees Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,800	1,828	28	\$ 1,800	1,682	(118)
Interest	10	102	92	10	69	59
Total Receipts	\$ 1,810	1,930	120	\$ 1,810	1,751	(59)
DISBURSEMENTS						
Office equipment	\$ 500	-	(500)	\$ 2,100	377	(1,723)
Total Disbursements	\$ 500	-	(500)	\$ 2,100	377	(1,723)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,310	1,930	620	\$ (290)	1,374	1,664
CASH, JANUARY 1	3,967	3,967	-	2,593	2,593	-
CASH, DECEMBER 31	\$ 5,277	5,897	620	\$ 2,303	3,967	1,664

<b>Collector's Maintenance Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 6,500	5,866	(634)	\$ 6,500	6,370	(130)
Interest	360	414	54	350	360	10
Total Receipts	\$ 6,860	6,280	(580)	\$ 6,850	6,730	(120)
DISBURSEMENTS						
Office expense	\$ 700	479	(221)	\$ 400	660	260
Computer	7,000	-	(7,000)	1,000	450	(550)
Training	2,000	1,366	(634)	2,000	1,517	(483)
Professional services	100	60	(40)	100	100	-
Transfers out	-	-	-	3,300	3,300	-
Total Disbursements	\$ 9,800	1,905	(7,895)	\$ 6,800	6,027	(773)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,940)	4,375	7,315	\$ 50	703	653
CASH, JANUARY 1	16,857	16,857	-	16,154	16,154	-
CASH, DECEMBER 31	\$ 13,917	21,232	7,315	\$ 16,204	16,857	653

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Economic Development Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 2,347	2,205	(142)	\$ 3,000	2,488	(512)
Total Receipts	\$ 2,347	2,205	(142)	\$ 3,000	2,488	(512)
DISBURSEMENTS						
Transfers out	\$ -	-	-	\$ 10,000	10,000	-
Total Disbursements	\$ -	-	-	\$ 10,000	10,000	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,347	2,205	(142)	\$ (7,000)	(7,512)	(512)
CASH, JANUARY 1	101,736	101,736	-	109,248	109,248	-
CASH, DECEMBER 31	\$ 104,083	103,941	(142)	\$ 102,248	101,736	(512)

<b>Interest and Fines Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 10,000	16,400	6,400	\$ 15,000	15,470	470
Charges for services	-	10,657	10,657	15,000	13,039	(1,961)
Interest	760	1,379	619	800	766	(34)
Total Receipts	\$ 10,760	28,436	17,676	\$ 30,800	29,275	(1,525)
DISBURSEMENTS						
Schools	\$ 31,810	30,776	(1,034)	\$ 30,000	25,648	(4,352)
Bond	1,000	1,757	757	1,000	595	(405)
Total Disbursements	\$ 32,810	32,533	(277)	\$ 31,000	26,243	(4,757)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (22,050)	(4,097)	17,953	\$ (200)	3,032	3,232
CASH, JANUARY 1	44,506	44,506	-	41,474	41,474	-
CASH, DECEMBER 31	\$ 22,456	40,409	17,953	\$ 41,274	44,506	3,232

<b>Revolving Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,400	550	(850)	\$ 300	400	100
Interest	25	35	10	23	25	2
Total Receipts	\$ 1,425	585	(840)	\$ 323	425	102
DISBURSEMENTS						
Equipment	\$ 1,368	-	(1,368)	\$ -	-	-
Total Disbursements	\$ 1,368	-	(1,368)	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 57	585	528	\$ 323	425	102
CASH, JANUARY 1	1,368	1,368	-	943	943	-
CASH, DECEMBER 31	\$ 1,425	1,953	528	\$ 1,266	1,368	102

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**KNOX COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Restitution Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Charges for services	\$ 1,000	272	(728)	\$ 1,000	1,548	548
Interest	150	46	(104)	126	149	23
Other	-	2,503	2,503	200	-	(200)
Total Receipts	\$ 1,150	2,821	1,671	\$ 1,326	1,697	371
<b>DISBURSEMENTS</b>						
Sheriff car grant match	\$ 6,000	-	(6,000)	\$ -	-	-
Equipment	1,000	-	(1,000)	-	-	-
Narcotic investigation	1,000	-	(1,000)	-	-	-
Other	-	-	-	-	182	182
Transfers out	-	7,200	7,200	-	100	100
Total Disbursements	\$ 8,000	7,200	(800)	\$ -	282	282
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,850)	(4,379)	2,471	\$ 1,326	1,415	89
CASH, JANUARY 1	7,243	7,243	-	5,828	5,828	-
CASH, DECEMBER 31	\$ 393	2,864	2,471	\$ 7,154	7,243	89

<b>Davis Cemetery Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Interest	\$ 12	12	-	\$ 27	16	(11)
Total Receipts	\$ 12	12	-	\$ 27	16	(11)
<b>DISBURSEMENTS</b>						
Mowing	\$ 200	330	130	\$ 200	200	-
Total Disbursements	\$ 200	330	130	\$ 200	200	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (188)	(318)	(130)	\$ (173)	(184)	(11)
CASH, JANUARY 1	535	535	-	719	719	-
CASH, DECEMBER 31	\$ 347	217	(130)	\$ 546	535	(11)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

## **NOTES TO FINANCIAL STATEMENTS**

**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Knox County, Missouri is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, Circuit Clerk, County Clerk, Collector, Treasurer, Coroner, Prosecuting Attorney, Public Administrator, Recorder, and Sheriff.

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

**1. A. REPORTING ENTITY**

The county's operations include tax assessments and collections, county courts administration, county recorder, public safety, economic development, road and bridge maintenance, social and human services, and cultural and recreation services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or elected county officials.

The financial statements referred to above include the primary government of Knox County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the county's legal entity.

**1. B. BASIS OF PRESENTATION**

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts, and expenditures/disbursements. The county's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The county's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain county officials, particularly the County Collector, Treasurer, Sheriff, and Public Administrator, collect and hold monies in a trustee capacity as an agent for individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are considered custodial in nature and are not reported on the accompanying financial statements.

**1. C. BASIS OF ACCOUNTING**

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.



**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. D. BUDGETS AND BUDGETARY ACCOUNTING**

The county follows these procedures in establishing the budget information:

1. In accordance with Chapter 50 RSMo, the county's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer or department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Budgets are prepared and adopted on the cash basis of accounting.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote. Budgeted amounts are as originally adopted, or as amended by the County Commission during the year. The County Commission amended budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2011 and 2010
Special Road and Bridge	2011 and 2010
Law Enforcement	2010
Economic Development	2010
Sever Lake	2010

8. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. No funds had a deficit budgeted cash balance for 2011 or 2010.
9. Section 50.740, RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds for 2011 and 2010.

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Training	2010
Sheriff's Fees	2011
Law Enforcement Training	2011
Restitution	2010
Davis Cemetery	2011

**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. E. USE OF ESTIMATES**

The preparation of financial statements in conformity with the cash basis of accounting used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**1. F. PROPERTY TAXES**

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as on January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The County bills and collects its own property taxes and also taxes for most other local governments in the county.

The assessed valuation of the tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

	2011	2010
Real Estate	\$ 39,528,622	\$ 39,303,686
Personal Property	20,210,395	17,872,112
Railroad and Utilities	10,942,624	10,721,787
Total Assessed Valuation	<u>\$ 70,681,641</u>	<u>\$ 67,897,585</u>

During 2011 and 2010, the County Commission approved a county-wide levy per \$100 of total assessed valuation of tangible property for the calendar year 2011 and 2010 for purposes of local taxation as follows:

	2011	2010
General Revenue Fund	\$ .2899	\$ .2975
Special Road and Bridge Fund	.6909	.6535

**1. G. CASH DEPOSITS AND INVESTMENTS**

Cash deposits and investments in money market accounts are stated at cost, which approximates market. Cash balances for the County Treasurer's funds are invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days is considered as cash equivalents. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. H. INTERFUND ACTIVITY**

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Transfers between funds of the primary government for the years ended December 31, 2011 and 2010 were as follows:

	Year Ended December 31, 2011	
	Transfers In	Transfers Out
<b>FUNDS:</b>		
General Revenue Fund	\$ 88,591	\$ 53,700
Special Road and Bridge Fund	-	87,391
Assessment Fund	10,000	-
Law Enforcement Fund	49,600	-
Election Fund	136	-
Restitution Fund	-	7,200
Totals	\$ 148,327	\$ 148,291

	Year Ended December 31, 2010	
	Transfers In	Transfers Out
<b>FUNDS:</b>		
General Revenue Fund	\$ 50,088	\$ 99,256
Special Road and Bridge Fund	-	39,624
Assessment Fund	25,000	-
Law Enforcement Fund	70,500	-
Election Fund	7,511	1,840
Collector's Maintenance Fund	-	3,300
Economic Development Fund	-	10,000
Restitution Fund	-	100
Totals	\$ 153,099	\$ 154,120

The difference between transfers in and transfers out were mainly related to transfers recorded that were shown as receipts and disbursements in the appropriate funds.

**1. I. PUBLISHED FINANCIAL STATEMENTS**

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. For the years ended December 31, 2011 and 2010, the published financial statements included all funds and the required information.

**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 2. CASH AND INVESTMENTS**

The county has determined through experience that checking accounts and money market accounts are appropriate types of accounts or instruments for its needs. Each fund type's portion of the county's cash and investments is included on the financial statements as "Cash" under each fund's caption. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2011 and 2010, the county had no such investments.

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand and time accounts in the county's bank.

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

At December 31, 2011 and 2010, the total of all county's deposits held at the respective depository bank was adequately covered by Federal Depository Insurance Coverage and with a \$1,000,000 Federal Home Loan Bank Letter of Credit and additional collateral securities held by an independent bank in the county's name or by its agent in the county's name.

In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted a written investment policy in accordance with applicable state law.

**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS**

County employees can voluntarily elect to participate in a deferred compensation 457 plan as part of their retirement plan. The County does not contribute to this plan on behalf of any employee. For the year ended December 31, 2011, participating employee contributions were \$6,467.

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

**A. County Employees' Retirement System (CERF)**

The County Employees' Retirement Fund (CERF) was established by the state of Missouri to provide pension benefits for county officials and employees.

**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)**

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under sections 56.800 to 56.840, RSMo; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; county sheriffs covered under sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the Fund and the investment of the Fund are vested in a board of directors of nine persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service or at the age of fifty-five with reduced benefits. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the Fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

3) Funding Policy

In accordance with state statutes, the plan is partially funded through various fees collected by counties and remitted to the CERF. A contribution to CERF of 0% (LAGERS member) or 2% (non-LAGERS member) of annual salary is required for eligible employees hired before February 25, 2002. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% (LAGERS member) or 6% (non-LAGERS member) in order to participate in CERF. During 2011 and 2010, the county collected and remitted to CERF contributions of \$52,567 and \$50,880 respectively, for the years then ended.

**NOTE 4. PROSECUTING ATTORNEY RETIREMENT FUND**

In accordance with state statute chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County contributed \$2,244 and \$2,244, for the years ended December 31, 2011 and 2010, respectively.

**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 5. POST-EMPLOYMENT BENEFITS**

The county does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

**NOTE 6. CLAIMS, COMMITMENTS, AND CONTINGENCIES**

**1) Compensated Absences**

Vacation time is accrued for every eligible employee in the county and accrues at the rate of up to two weeks per year. The County provides full time employees and part-time employees who occupy regular budgeted positions with sick time which accrues at two days per calendar month of employment up to ninety days. Upon termination, no payment will be made for unused vacation or sick days.

**2) Federal and State Assisted Programs**

The county has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

**NOTE 7. RISK MANAGEMENT**

The county is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The county is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

**NOTE 8. LONG-TERM DEBT**

The county had the following debt outstanding at December 31, 2011:

- A. The county entered into a lease-purchase agreement for a road grader through the company's credit agency in April 2011 with the final payment being in April 2014. The interest rate on the lease-purchase is 3.05%.

**KNOX COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 8. LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize the grader lease-purchase agreement outstanding as of December 31, including interest payments, are as follows:

<u>Year Ended December 31,</u>		<u>Principal</u>		<u>Interest</u>
2012	\$	32,565	\$	3,116
2013		33,573		2,109
2014		34,612		1,071
Totals	\$	<u>100,750</u>	\$	<u>6,296</u>

## **COMPLIANCE SECTION**



# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

August 31, 2012

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission  
and Officeholders  
of Knox County, Missouri

We have audited the financial statements of Knox County, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise Knox County, Missouri's basic financial statements and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

Management of Knox County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Knox County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Knox County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Knox County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 11-01 and 11-02.

MEMBER  
•  
American  
Institute of  
Certified  
Public  
Accountants  
•  
Missouri  
Society of  
Certified  
Public  
Accountants  
•

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

---

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies as items 11-03 through 11-05.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Knox County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 11-06 and 11-07.

Knox County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Knox County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the Missouri State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC  
Certified Public Accountants

**KNOX COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

---

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

**11-01      Bank Reconciliations Performed by County Treasurer**

Condition: The County Treasurer's bank reconciliations for December 2011 and 2010 indicated differences between the bank account and the cash balances in various funds. The bank reconciliation for December 31, 2011 showed an outstanding difference of \$28,646 due to a Community Block Development Grant automatically deposited in the bank account on December 27, 2011, but not recorded in the Special Road and Bridge Fund until January 2012. The bank reconciliation for December 31, 2010 showed an outstanding difference of \$11,496 due to a reimbursement from the State of Missouri automatically deposited on December 9, 2010, but not recorded in the Assessment Fund until January 2011. These differences were created from automatic deposits made by the state in the county's bank account but the Treasurer not knowing what the amounts are for until January of the following year. An adjustment was made to increase the respective funds' receipts and corresponding cash balances on the financial statements because the deposits were considered constructive receipts of the county when deposited.

Criteria: Strong internal controls over financial statements require that monthly bank reconciliations be accurately performed to ensure the bank accounts properly reconcile to the County's fund balances.

Cause: The County Treasurer should identify all deposits prior to completing the monthly bank reconciliation.

Effect: The receipts and cash balances of various county funds were not accurately stated for the 2011 and 2010 budgets and led to a material misstatement in the county's financial statements for 2011.

Recommendation:

The County Treasurer should properly prepare monthly bank reconciliations to ensure all deposits have been properly reflected in the respective funds to ensure that there are no outstanding differences between the bank reconciliations and the county fund balances.

*Response: The County Treasurer responded as follows:*

*The State of Missouri does not notify the Treasurer's office at the time of direct deposits. I was not aware of the deposits until I received my bank statements in January of both years, at which time I issued receipts. In the future I will receipt direct deposits from the State before closing my end of the year books.*

**11-02      Payroll Reports Not Accurately or Timely Prepared**

Condition: Quarterly and year-end payroll reports were not prepared timely or accurately for the years ended December 31, 2011 and 2010. The 2010 quarterly reports overstated federal wages on all four quarters and do not correspond to the year-end reports filed in 2010 with a difference of \$60,680 in Federal wages. The first quarter payroll report for 2011 was not filed until 2012, causing the County to be subject to interest and penalties. The remaining 2011 quarterly reports were filed timely, but incorrectly. The County subsequently amended the second, third and fourth quarterly reports. The amended

**KNOX COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

---

quarterly reports understated Federal wages by \$43,465 and Medicare wages by \$2,144. The County is working on preparation of amended payroll reports.

Criteria: Federal regulations require accurate and timely payments of payroll reports and payroll taxes.

Cause: The County Commission and County Clerk did not file accurate payroll or timely payroll reports.

Effect: The payroll reports were not prepared accurately and one was untimely causing the County penalties and interest on the taxes.

Recommendation:

The County Commission and County Clerk should ensure payroll reports are prepared accurately and timely filed.

*Response: The County Clerk responded as follows:*

*This problem has been addressed and 2012 reports are being prepared more carefully and in a timely manner.*

**SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

**11-03 Inadequate Controls Over County Purchases and Payments**

Condition: We noted the following issues with the county's purchasing and payment process:

- A. The County Commission does not follow state statute requirements to bid contracts and purchases over \$6,000. The County purchased a used truck with a cost over \$6,000 without soliciting bids as required under Section 50.660 RSMo.
- B. Invoices are not always cancelled after payment by having it stamped as being paid or initialed. A test of thirty invoices noted that twenty invoices (67%) were not properly cancelled or stamped paid after payment was made.
- C. Our audit test of purchases revealed several invoices that could not be located, including the purchase of a truck for \$20,150 that did not have a corresponding invoice.

Criteria: Strong internal control procedures require that all invoices are properly cancelled and retained after a warrant has been written and that a payment should not be authorized without a corresponding invoice. Section 50.660 RSMo requires that contracts and purchases over \$6,000 are subject to a bidding process including advertising the proposed letting in a newspaper in the county.

Cause: The County thought their process of reviewing and approving expenditures was sufficient.

Effect: The County may not be getting the best price for their large purchases, which may result in a loss of county assets. Invoices that are not cancelled upon payment are more likely to be paid more than once resulting in a loss of county assets. Disbursements without invoices are more likely to result in inaccurate payments.

**KNOX COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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Recommendation:

- A. Bids should be solicited and documented for purchases and contracts over \$6,000. Advertisements for bids should be placed in a local paper.
- B. All invoices should be cancelled after payment by stamping as being paid or initialed.
- C. Payments should not be made without adequate documentation and this documentation should be properly retained for future county inquiries and for audit purposes.

*Response: The County Commission responded as follows:*

- A. *The County Commission will ensure that proper bidding procedures will be followed on purchases of \$6,000 or more.*
- B. *The County Clerk has implemented this procedure. All invoices are now being cancelled after payment, by stamping them as paid.*
- C. *This has been implemented.*

**11-04 Budgetary Controls Not in Compliance With State Law**

Condition: We noted the following issues with the county's budgeting process during our audit:

- A. The County Commission minutes did not record approval of budget amendments for any county funds for the year ended December 31, 2010.
- B. The County Commission and other county officials did not exercise adequate budgetary control over five funds during the audit period. Expenditures were approved for payment that exceeded the approved budget for the following funds as shown below:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>
Prosecuting Attorney Training	2010	\$ 107
Sheriff's Fees	2011	551
Law Enforcement Training	2011	244
Restitution	2010	282
Davis Cemetery	2011	130

Criteria: Section 50.540 RSMo, requires that the budget be revised prior to authorizing expenditures in excess of the budget.

Cause: County officials did not consider the importance of preparing proper amended budgets.

Effect: The County Commission and the County Clerk did not follow state law and budgetary guidelines on the preparation of budget documents.

Recommendation:

- A. The County Commission and County Clerk should ensure amended budgets are prepared and formally approved and filed with the state as required by state law.
- B. The County Commission should not approve expenditures in excess of budgeted amounts. The County Commission should properly amend the budgets in a public meeting when unforeseen circumstances arise that necessitate increased expenditures in any fund.

**KNOX COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

---

*Response:*

- A. *The County Commission and Clerk have implemented this.*
- B. *The County Commission will take necessary steps to implement this.*

**11-05      Accounting for Transfers**

Condition: The financial statements of the County as represented in the annual budget document do not present the proper amount of transfers between the various county funds. Total budgeted transfers in do not agree with total budgeted transfers out for the years ended December 31, 2011 and 2010. In addition, actual amounts for transfers in are not properly reconciled to actual amounts transferred out each year. Several transfers were erroneously recorded within receipts or disbursements of the corresponding funds instead of as actual transfers. Reclassification of transfers recorded as Other Revenues were made to correct the County's financial statements as presented.

Criteria: Strong internal controls over financial statements require that transfers are properly reported and are in balance.

Cause: The County Commission and County Clerk did not report actual or budgeted transfers properly.

Effect: The transfers between funds are not in balance on the budget documents filed with the state.

Recommendation:

The County Commission and County Clerk should ensure both budgeted and actual transfers to and from other funds are in agreement and that other types of transactions that are not operating transfers are not presented in the "Transfers" account category.

*Response:*

*This will be watched more carefully and be implemented.*

**ITEMS OF NONCOMPLIANCE AND OTHER MATTERS**

**11-06      County Commission Minutes Not in Compliance With Sunshine Law**

Condition: We noted the following noncompliance issues with the County Commission meeting minutes:

- A. The Commission meeting minutes did not always include the date, time, place, members present and members absent, and a record of votes taken and attributed to each member.
- B. The original approved meeting minutes could not be located for 2011. An electronic version of the meeting minutes was provided for audit purposes for review; however, no minutes could be located for February 14, 2011 and April 8, 2011 when a closed session meeting was also held.

**KNOX COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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- C. The Commission meeting minutes did not state the specific subsection of the Sunshine Law when voting to go into a closed meeting. The minutes only indicated that the closed meeting was held to discuss personnel matters. The County Commission went into closed session in February 2011, April 2011, July 2011, August 2011, October 2011, and December 2011.

Criteria: RSMo, Chapter 610 (commonly referred to as the Missouri Sunshine Law) and Section 610.020.7, RSMo, require the meeting minutes to include the place where the meeting was held, the members that are absent and present, record of votes attributed to each member, and that official minutes be retained of the board minutes. Section 610.022.2, RSMo requires that the specific subsection of the Sunshine Law allowing the closure of the meeting be cited in the minutes.

Cause: The County was unaware of the criteria requirements for the County Commission minutes and did not ensure all official commission minutes were properly retained.

Effect: The County did not fully comply with the Sunshine Law.

Recommendation:

- A. We recommend the County Commission meeting minutes include the date and time of the meeting, members present and absent, a record of votes taken attributed to each member.
- B. We recommend the County retain all official signed meeting minutes.
- C. We recommend the County Commission minutes include the applicable subsection of the Sunshine Law for holding a closed meeting; and, that there is a full vote of the Commission when holding a closed meeting and such vote is documented in the minutes.

*Response:*

- A. *This has been implemented.*
- B. *The County does retain meeting minutes for each meeting; however, the minutes in question have not been located after the previous audit was performed.*
- C. *This has been implemented.*

**11-07 Lease- Purchase Debt Not Included on Budget Document**

Condition: The lease-purchase agreement entered into by the County in 2011 was not properly included on the 2012 budget document in the outstanding debt section. This section reports the beginning principal balance, principal payments made, and the outstanding balance at the end of each year.

Criteria: The Missouri State Auditor's Office budgetary guidelines require long-term debt including lease-purchase agreements and certificates of participation be reported in the budget document.

Cause: The County Commission and County Clerk did not consider the importance of reporting the long-term debt on the budget document.

**KNOX COUNTY, MISSOURI**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

---

Effect: The County Commission and the County Clerk did not follow budgetary guidelines on the preparation of budget documents.

Recommendation:

The County Commission and County Clerk ensure all lease-purchase agreements are presented accurately on the budget document each year as necessary until fully paid off.

*Response:*

*This will be implemented on future budgets.*



**FOLLOW- UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**KNOX COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

---

Because Knox County, Missouri, did not obtain an audit of its financial statements for the two years ended December 31, 2009, this section does not report the status of any prior audit findings.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Vernon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Vernon County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-113

ANNUAL FINANCIAL REPORT

**VERNON COUNTY, MISSOURI**

For the Years Ended  
December 31, 2011 and 2010

# VERNON COUNTY, MISSOURI

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## **INTRODUCTORY SECTION**

VERNON COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – Bonnie M. McCord

Northern Commissioner – Neal F. Gerster

Southern Commissioner – Kennon R. Shaw

*Other Elected Officials*

Assessor – Cherie K. Roberts

County Clerk – Tammi Beach

Circuit Clerk – Vickie Erwin

Recorder – Doug Shupe

Coroner – David Ferry

Prosecuting Attorney – Lynn M. Ewing, III

Public Administrator – Tammy Bond

Sheriff – Ron Peckman

Collector/Treasurer – Phil Couch

## **FINANCIAL SECTION**



## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Vernon County, Missouri

We have audited the accompanying financial statements of Vernon County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Vernon County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Vernon County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Vernon County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report date June 15, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vernon County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
June 15, 2012

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash & Cash Equivalents			Cash & Cash Equivalents			Cash & Cash Equivalents	
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011	
General Revenue	\$ 13,710	\$ 3,511,136	\$ 3,461,937	\$ 62,909	\$ 3,346,772	\$ 3,106,815	\$ 302,866	
Special Road & Bridge	180,999	1,334,311	1,058,536	456,774	1,173,403	1,204,132	426,045	
Assessment	12,203	202,955	199,489	15,669	213,357	194,661	34,365	
Law Enforcement Training	153	3,502	3,336	319	3,866	2,467	1,718	
Sheriff's Discretionary	7,891	28,468	29,833	6,526	24,236	27,948	2,814	
Prosecuting Attorney Training	320	625	761	184	681	690	175	
Prosecuting Attorney Bad Check	4,034	20,373	23,072	1,335	14,054	15,389	-	
Sewer	37,572	7,069	15,917	28,724	5,045	33,669	100	
Local Emergency Planning Committee	13,957	8,185	9,476	12,666	9,831	12,457	10,040	
Shelter	-	4,366	4,366	-	4,677	4,677	-	
Election Service	25,941	32,649	17,888	40,702	13,129	12,222	41,609	
Help America Vote Act	51	13,473	13,455	69	8,390	7,381	1,078	
Election	-	106,498	106,498	-	75,832	45,215	30,617	
Tax Maintenance	37,824	30,858	19,829	48,853	31,140	33,571	46,422	
Quarter % Assessment	1,677	33,536	26,336	8,877	41,765	43,858	6,784	
Recorder User Fee	90,310	13,885	16,156	88,039	12,533	19,235	81,337	
Law Enforcement Restitution	9,106	71,588	65,793	14,901	34,509	25	49,385	
Law Enforcement Sales Tax	104,927	905,524	946,920	63,531	958,114	922,465	99,180	
Inmate Security	7,158	2,546	18	9,686	2,763	20	12,429	
Prosecuting Attorney Tax Collection	845	77	287	635	197	665	167	
Recycling Income	13,305	20,089	29,266	4,128	10,183	14,311	-	
United Way Dare	950	2,518	3,253	215	2,394	860	1,749	
Payment in Lieu of Tax (P.I.L.T.)	-	-	-	-	40,000	4,824	35,176	
Bond Reserve	744,244	627	293	744,578	480	19,067	725,991	
Total	<u>\$ 1,307,177</u>	<u>\$ 6,354,858</u>	<u>\$ 6,052,715</u>	<u>\$ 1,609,320</u>	<u>\$ 6,027,351</u>	<u>\$ 5,726,624</u>	<u>\$ 1,910,047</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2010		2011	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 359,446	\$ 366,365	\$ 397,507	\$ 387,203
Sales taxes	850,200	914,770	897,000	958,230
Intergovernmental	470,909	425,406	587,618	460,047
Charges for services	1,089,915	964,207	964,594	996,488
Interest	2,500	1,749	1,700	2,925
Other	466,243	433,363	206,714	194,135
Transfers in	413,695	405,276	395,266	347,744
Total Receipts	<u>\$ 3,652,908</u>	<u>\$ 3,511,136</u>	<u>\$ 3,450,399</u>	<u>\$ 3,346,772</u>
DISBURSEMENTS				
County Commission	\$ 96,274	\$ 96,280	\$ 96,291	\$ 95,522
County Clerk	190,647	189,394	193,634	192,351
Elections	75,200	55,557	3,900	3,778
Buildings and grounds	116,174	105,186	99,137	95,437
Employee fringe benefits	367,126	357,465	438,235	371,489
Treasurer	109,651	107,168	110,285	107,406
Recorder of Deeds	88,202	86,753	88,852	87,680
Circuit Clerk	53,900	45,354	42,400	44,736
Court administration	27,210	23,502	23,846	20,716
Public Administrator	65,380	63,212	67,785	65,798
Sheriff	924,281	883,027	1,000,002	825,311
Jail	608,938	604,379	599,570	605,488
Prosecuting Attorney	183,789	183,782	193,336	184,609
Juvenile Officer	118,374	103,806	113,744	113,587
Coroner	31,153	32,262	28,628	25,634
Other County Government	236,973	221,006	222,096	208,598
Health and Welfare	1,500	1,500	1,000	1,000
Debt Services	351,323	289,146	57,650	57,637
Transfers out	37,620	10,350	10,000	-
Emergency fund	98,811	2,808	96,219	38
Total Disbursements	<u>\$ 3,782,526</u>	<u>\$ 3,461,937</u>	<u>\$ 3,486,610</u>	<u>\$ 3,106,815</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (129,618)	\$ 49,199	\$ (36,211)	\$ 239,957
CASH & CASH EQUIVELANTS, JANUARY 1	<u>13,710</u>	<u>13,710</u>	<u>62,909</u>	<u>62,909</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u><u>\$ (115,908)</u></u>	<u><u>\$ 62,909</u></u>	<u><u>\$ 26,698</u></u>	<u><u>\$ 302,866</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 102,361	\$ 109,576	\$ 105,000	\$ 111,399	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,307,194	1,160,471	1,345,223	1,045,157	190,720	198,317	214,070	211,269
Charges for services	-	-	-	-	-	-	-	-
Interest	2,500	4,648	3,000	6,777	500	804	650	937
Other	16,200	59,616	28,200	10,070	2,975	834	600	1,151
Transfers in	-	-	-	-	20,270	3,000	-	-
Total Receipts	<u>\$ 1,428,255</u>	<u>\$ 1,334,311</u>	<u>\$ 1,481,423</u>	<u>\$ 1,173,403</u>	<u>\$ 214,465</u>	<u>\$ 202,955</u>	<u>\$ 215,320</u>	<u>\$ 213,357</u>
DISBURSEMENTS								
Salaries	\$ 260,000	\$ 255,244	\$ 270,000	272,778	\$ 143,948	\$ 133,213	\$ 142,245	\$ 126,272
Employee fringe benefits	103,140	84,334	95,911	89,352	26,093	23,742	26,319	23,433
Materials and supplies	142,000	114,650	159,800	96,559	22,652	16,168	19,652	21,334
Services and Other	635,931	391,790	723,346	367,932	33,975	26,366	30,725	23,622
Capital Outlay	31,000	-	141,682	161,224	-	-	-	-
Construction	237,050	142,436	240,000	134,750	-	-	-	-
Transfers out	70,082	70,082	81,537	81,537	-	-	-	-
Total Disbursements	<u>\$ 1,479,203</u>	<u>\$ 1,058,536</u>	<u>\$ 1,712,276</u>	<u>\$ 1,204,132</u>	<u>\$ 226,668</u>	<u>\$ 199,489</u>	<u>\$ 218,941</u>	<u>\$ 194,661</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (50,948)	\$ 275,775	\$ (230,853)	\$ (30,729)	\$ (12,203)	\$ 3,466	\$ (3,621)	\$ 18,696
CASH & CASH EQUIVELANTS, JANUARY 1	<u>180,999</u>	<u>180,999</u>	<u>456,774</u>	<u>456,774</u>	<u>12,203</u>	<u>12,203</u>	<u>15,669</u>	<u>15,669</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ 130,051</u>	<u>\$ 456,774</u>	<u>\$ 225,921</u>	<u>\$ 426,045</u>	<u>\$ -</u>	<u>\$ 15,669</u>	<u>\$ 12,048</u>	<u>\$ 34,365</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				SHERIFF'S DISCRETIONARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,471	3,478	3,350	3,857	38,500	25,976	29,000	24,207
Interest	11	6	7	9	100	58	50	29
Other	-	18	-	-	-	2,434	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,482</u>	<u>\$ 3,502</u>	<u>\$ 3,357</u>	<u>\$ 3,866</u>	<u>\$ 38,600</u>	<u>\$ 28,468</u>	<u>\$ 29,050</u>	<u>\$ 24,236</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	8,000	8,000	8,000	8,000
Services and other	3,635	3,336	3,676	2,467	28,500	20,649	24,580	17,921
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	9,991	1,184	2,027	2,027
Total Disbursements	<u>\$ 3,635</u>	<u>\$ 3,336</u>	<u>\$ 3,676</u>	<u>\$ 2,467</u>	<u>\$ 46,491</u>	<u>\$ 29,833</u>	<u>\$ 34,607</u>	<u>\$ 27,948</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (153)	\$ 166	\$ (319)	\$ 1,399	\$ (7,891)	\$ (1,365)	\$ (5,557)	\$ (3,712)
CASH & CASH EQUIVELANTS, JANUARY 1	<u>153</u>	<u>153</u>	<u>319</u>	<u>319</u>	<u>7,891</u>	<u>7,891</u>	<u>6,526</u>	<u>6,526</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 1,718</u>	<u>\$ -</u>	<u>\$ 6,526</u>	<u>\$ 969</u>	<u>\$ 2,814</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	20,392	20,253	20,000	14,002
Interest	-	5	5	3	175	120	110	52
Other	550	620	620	678	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 550</u>	<u>\$ 625</u>	<u>\$ 625</u>	<u>\$ 681</u>	<u>\$ 20,567</u>	<u>\$ 20,373</u>	<u>\$ 20,110</u>	<u>\$ 14,054</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	780	761	700	690	2,406	877	707	747
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	22,195	22,195	20,738	14,642
Total Disbursements	<u>\$ 780</u>	<u>\$ 761</u>	<u>\$ 700</u>	<u>\$ 690</u>	<u>\$ 24,601</u>	<u>\$ 23,072</u>	<u>\$ 21,445</u>	<u>\$ 15,389</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (230)	\$ (136)	\$ (75)	\$ (9)	\$ (4,034)	\$ (2,699)	\$ (1,335)	\$ (1,335)
CASH & CASH EQUIVELANTS, JANUARY 1	<u>320</u>	<u>320</u>	<u>184</u>	<u>184</u>	<u>4,034</u>	<u>4,034</u>	<u>1,335</u>	<u>1,335</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ 90</u>	<u>\$ 184</u>	<u>\$ 109</u>	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 1,335</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SEWER FUND				LOCAL EMERGENCY PLANNING COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 6,100	\$ 6,502	\$ 6,000	\$ 4,858	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,800	8,185	3,900	4,675
Charges for services	-	-	-	-	-	-	-	-
Interest	500	567	500	187	-	-	100	5,156
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 6,600</u>	<u>\$ 7,069</u>	<u>\$ 6,500</u>	<u>\$ 5,045</u>	<u>\$ 3,800</u>	<u>\$ 8,185</u>	<u>\$ 4,000</u>	<u>\$ 9,831</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	44,172	15,917	35,224	33,669	17,757	9,476	15,600	12,457
Capital outlay and construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 44,172</u>	<u>\$ 15,917</u>	<u>\$ 35,224</u>	<u>\$ 33,669</u>	<u>\$ 17,757</u>	<u>\$ 9,476</u>	<u>\$ 15,600</u>	<u>\$ 12,457</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (37,572)	\$ (8,848)	\$ (28,724)	\$ (28,624)	\$ (13,957)	\$ (1,291)	\$ (11,600)	\$ (2,626)
CASH & CASH EQUIVELANTS, JANUARY 1	<u>37,572</u>	<u>37,572</u>	<u>28,724</u>	<u>28,724</u>	<u>13,957</u>	<u>13,957</u>	<u>12,666</u>	<u>12,666</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 28,724</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 12,666</u>	<u>\$ 1,066</u>	<u>\$ 10,040</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.



VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	SHELTER FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	4,352	4,352	4,400	4,664	5,750	32,253	2,800	12,604
Interest	14	14	1,400	13	200	396	200	525
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,366</u>	<u>\$ 4,366</u>	<u>\$ 5,800</u>	<u>\$ 4,677</u>	<u>\$ 5,950</u>	<u>\$ 32,649</u>	<u>\$ 3,000</u>	<u>\$ 13,129</u>
DISBURSEMENTS								
Salaries	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	31,891	17,888	43,702	12,222
Services and other	4,366	4,366	5,800	4,677	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,366</u>	<u>\$ 4,366</u>	<u>\$ 5,800</u>	<u>\$ 4,677</u>	<u>\$ 31,891</u>	<u>\$ 17,888</u>	<u>\$ 43,702</u>	<u>\$ 12,222</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (25,941)	\$ 14,761	\$ (40,702)	\$ 907
CASH & CASH EQUIVELANTS, JANUARY 1	-	-	-	-	25,941	25,941	40,702	40,702
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,702</u>	<u>\$ -</u>	<u>\$ 41,609</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	HELP AMERICA VOTE ACT FUND				ELECTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	15,183	6,114	16,000	8,313	115,000	106,498	45,250	75,832
Charges for services	230	-	-	75	-	-	-	-
Interest	9	9	8	2	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	7,350	-	-	-	-	-	-
Total Receipts	<u>\$ 15,422</u>	<u>\$ 13,473</u>	<u>\$ 16,008</u>	<u>\$ 8,390</u>	<u>\$ 115,000</u>	<u>\$ 106,498</u>	<u>\$ 45,250</u>	<u>\$ 75,832</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	10,253	8,510	13,206	5,764	-	-	-	-
Services and other	5,220	4,945	2,871	1,617	115,000	106,498	45,250	45,215
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 15,473</u>	<u>\$ 13,455</u>	<u>\$ 16,077</u>	<u>\$ 7,381</u>	<u>\$ 115,000</u>	<u>\$ 106,498</u>	<u>\$ 45,250</u>	<u>\$ 45,215</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (51)	\$ 18	\$ (69)	\$ 1,009	\$ -	\$ -	\$ -	\$ 30,617
CASH & CASH EQUIVELANTS, JANUARY 1	<u>51</u>	<u>51</u>	<u>69</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 1,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,617</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	TAX MAINTENANCE FUND				QUARTER % ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 32,000	\$ 30,209	\$ 31,250	\$ 30,891
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	4,000	-
Charges for services	25,000	30,232	27,000	30,395	-	3,178	2,975	6,835
Interest	500	626	500	745	500	149	149	186
Other	-	-	-	-	-	-	-	3,853
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25,500</u>	<u>\$ 30,858</u>	<u>\$ 27,500</u>	<u>\$ 31,140</u>	<u>\$ 32,500</u>	<u>\$ 33,536</u>	<u>\$ 38,374</u>	<u>\$ 41,765</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	17,550	13,825	23,775	22,106
Services and other	13,900	3,729	50,000	17,153	8,352	4,236	15,375	13,651
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	16,100	16,100	16,418	16,418	8,275	8,275	8,101	8,101
Total Disbursements	<u>\$ 30,000</u>	<u>\$ 19,829</u>	<u>\$ 66,418</u>	<u>\$ 33,571</u>	<u>\$ 34,177</u>	<u>\$ 26,336</u>	<u>\$ 47,251</u>	<u>\$ 43,858</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,500)	\$ 11,029	\$ (38,918)	\$ (2,431)	\$ (1,677)	\$ 7,200	\$ (8,877)	\$ (2,093)
CASH & CASH EQUIVELANTS, JANUARY 1	<u>37,824</u>	<u>37,824</u>	<u>48,853</u>	<u>48,853</u>	<u>1,677</u>	<u>1,677</u>	<u>8,877</u>	<u>8,877</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ 33,324</u>	<u>\$ 48,853</u>	<u>\$ 9,935</u>	<u>\$ 46,422</u>	<u>\$ -</u>	<u>\$ 8,877</u>	<u>\$ -</u>	<u>\$ 6,784</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER USER FEE FUND				LAW ENFORCEMENT RESTITUTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	10,551	12,556	10,000	11,462	40,000	35,027	33,000	34,118
Interest	1,200	1,329	1,000	1,071	200	470	400	391
Other	-	-	-	-	36,091	36,091	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 11,751</u>	<u>\$ 13,885</u>	<u>\$ 11,000</u>	<u>\$ 12,533</u>	<u>\$ 76,291</u>	<u>\$ 71,588</u>	<u>\$ 33,400</u>	<u>\$ 34,509</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	556	-	3,635	-	-	-	-
Services and other	50,000	-	50,000	-	-	18	-	25
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	15,600	-	15,600	85,397	65,775	30,000	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 16,156</u>	<u>\$ 50,000</u>	<u>\$ 19,235</u>	<u>\$ 85,397</u>	<u>\$ 65,793</u>	<u>\$ 30,000</u>	<u>\$ 25</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (38,249)	\$ (2,271)	\$ (39,000)	\$ (6,702)	\$ (9,106)	\$ 5,795	\$ 3,400	\$ 34,484
CASH & CASH EQUIVELANTS, JANUARY 1	<u>90,310</u>	<u>90,310</u>	<u>88,039</u>	<u>88,039</u>	<u>9,106</u>	<u>9,106</u>	<u>14,901</u>	<u>14,901</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ 52,061</u>	<u>\$ 88,039</u>	<u>\$ 49,039</u>	<u>\$ 81,337</u>	<u>\$ -</u>	<u>\$ 14,901</u>	<u>\$ 18,301</u>	<u>\$ 49,385</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	850,000	903,155	897,000	955,475	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,000	2,424	2,000	2,625
Interest	2,300	2,369	2,000	2,639	100	122	100	138
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 852,300</u>	<u>\$ 905,524</u>	<u>\$ 899,000</u>	<u>\$ 958,114</u>	<u>\$ 2,100</u>	<u>\$ 2,546</u>	<u>\$ 2,100</u>	<u>\$ 2,763</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	744,899	758,736	746,759	725,695	9,000	18	11,786	20
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	202,328	188,184	215,772	196,770	-	-	-	-
Total Disbursements	<u>\$ 947,227</u>	<u>\$ 946,920</u>	<u>\$ 962,531</u>	<u>\$ 922,465</u>	<u>\$ 9,000</u>	<u>\$ 18</u>	<u>\$ 11,786</u>	<u>\$ 20</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (94,927)	\$ (41,396)	\$ (63,531)	\$ 35,649	\$ (6,900)	\$ 2,528	\$ (9,686)	\$ 2,743
CASH & CASH EQUIVELANTS, JANUARY 1	<u>104,927</u>	<u>104,927</u>	<u>63,531</u>	<u>63,531</u>	<u>7,158</u>	<u>7,158</u>	<u>9,686</u>	<u>9,686</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ 10,000</u>	<u>\$ 63,531</u>	<u>\$ -</u>	<u>\$ 99,180</u>	<u>\$ 258</u>	<u>\$ 9,686</u>	<u>\$ -</u>	<u>\$ 12,429</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TAX COLLECTION				RECYCLING INCOME FUND			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	300	67	100	195	-	-	-	-
Interest	-	10	-	2	50	109	100	22
Other - sales of recyclables	-	-	-	-	20,000	19,980	20,187	10,161
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 300</u>	<u>\$ 77</u>	<u>\$ 100</u>	<u>\$ 197</u>	<u>\$ 20,050</u>	<u>\$ 20,089</u>	<u>\$ 20,287</u>	<u>\$ 10,183</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	1,100	287	666	665	33,355	11,385	19,343	1,662
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	17,881	5,072	12,649
Total Disbursements	<u>\$ 1,100</u>	<u>\$ 287</u>	<u>\$ 666</u>	<u>\$ 665</u>	<u>\$ 33,355</u>	<u>\$ 29,266</u>	<u>\$ 24,415</u>	<u>\$ 14,311</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (800)	\$ (210)	\$ (566)	\$ (468)	\$ (13,305)	\$ (9,177)	\$ (4,128)	\$ (4,128)
CASH & CASH EQUIVELANTS, JANUARY 1	<u>845</u>	<u>845</u>	<u>635</u>	<u>635</u>	<u>13,305</u>	<u>13,305</u>	<u>4,128</u>	<u>4,128</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ 45</u>	<u>\$ 635</u>	<u>\$ 69</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ 4,128</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	United Way Dare				Payment in Lieu of Tax			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	18	-	9	-	-	700	-
Property tax settlement	-	-	-	-	-	-	40,000	40,000
Other	2,500	2,500	3,500	2,385	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,500</u>	<u>\$ 2,518</u>	<u>\$ 3,500</u>	<u>\$ 2,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,700</u>	<u>\$ 40,000</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	3,450	3,253	3,500	860	-	-	40,700	4,824
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,450</u>	<u>\$ 3,253</u>	<u>\$ 3,500</u>	<u>\$ 860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,700</u>	<u>\$ 4,824</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (950)	\$ (735)	\$ -	\$ 1,534	\$ -	\$ -	\$ -	\$ 35,176
CASH & CASH EQUIVELANTS, JANUARY 1	<u>950</u>	<u>950</u>	<u>215</u>	<u>215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 215</u>	<u>\$ 215</u>	<u>\$ 1,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,176</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

VERNON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	Bond Reserve			
	Year Ended December 31,			
	2010		2011	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	627	-	480
Other	-	-	-	-
Transfers in	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 627</u>	<u>\$ -</u>	<u>\$ 480</u>
DISBURSEMENTS				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-
Materials and supplies	-	-	-	-
Services and other	-	293	-	19,067
Capital outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 19,067</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ -	\$ 334	\$ -	\$ (18,587)
CASH & CASH EQUIVELANTS, JANUARY 1	<u>744,244</u>	<u>744,244</u>	<u>744,578</u>	<u>744,578</u>
CASH & CASH EQUIVELANTS, DECEMBER 31	<u>\$ 744,244</u>	<u>\$ 744,578</u>	<u>\$ 744,578</u>	<u>\$ 725,991</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.



VERNON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vernon County, Missouri (“County”) is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer – Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Vernon County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered to comprise the County’s legal entity.

Certain elected County officials, particularly the Collector/Treasurer and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County’s funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable

or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

#### D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Bond Reserve Fund in 2011 and 2010.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures did exceed budgeted amounts for the Bond Reserve. Because a budget was not adopted for the Bond Reserve Fund as noted in 1.D.9, expenditures in the Bond Reserve exceeded budgetary authority to the extent that a budget was not adopted in years 2011 and 2010.

11. Section 50.1610 and Section 50.740, RSMo require that counties prepare budgets that balance proposed expenditures with estimated revenues and other sources of financial resources. Accordingly, counties are not authorized to have deficit budgeted fund balances. The General Revenue Fund budget in 2010 carried a deficit fund balance. The County considers property taxes received by the Collector on December 31 of the fiscal year but not received by the General Fund until January of the subsequent year to be additional resources available to finance the current years' budget. At December 31, 2010, the \$260,000 of property taxes were held by the collector pending distribution to the County's General Revenue Fund.

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010, for purposes of taxation were:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 155,065,370	\$ 153,775,910
Personal Property	58,876,951	52,856,326
Railroad and Utilities	17,316,693	15,069,959

During 2011 and 2010, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar years 2011 and 2010, for purposes of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue	\$ 0.1638	\$ 0.1713

#### F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of

Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and investment balances are presented in Note 2.

#### G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

### 2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amounts of the County's deposits, were \$1,910,047 and \$1,609,320, respectively, and the bank balances were \$2,071,224 and \$1,251,430, respectively. Of the bank balances, \$302,162 and \$295,453 for December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance and the remainder were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue fund. Tax Collections on deposit amounted to \$8,298,121 and \$7,760,727 at December 31, 2011 and 2010, respectively. The County Collector's deposits were covered by federal depository insurance of \$250,000 as of December 31, 2011 and 2010, and the remainder was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

### 3. COUNTY EMPLOYEES' RETIREMENT PLANS

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees"

#### A. Missouri Local Government Employees Retirement System (LAGERS)

### 1) Plan Description

Vernon County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

### 2) Pension Benefits

Upon termination of employment, any member who is vested is entitled to either an unreduced benefit annuity, payable at age sixty (police and fire fighters, age fifty-five), or a reduced benefit annuity, payable at age fifty-five (police and fire fighters, age fifty).

### 3) Funding Policy

Participation in the plan is mandatory for full-time employees with six months service. Part-time employees are not eligible to participate in the plan. Employees do not contribute to LAGERS. Employer contributions are determined each year by LAGERS' actuary and are based on level-percent-of-payroll funding principles so the employer contributions rate may remain level over time. For 2011 and 2010, total payments to LAGERS were \$151,194 and \$135,869 respectively.

## B. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

### 1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee

per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

## 2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

## 3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. All participants hired on or after February 24, 2002 are required to contribute an additional 4% of their gross compensation to CERF, starting January 1, 2003. An active LAGERS participant who was employed with the County prior to February 24, 2002, is not required to make contributions. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$33,804 and \$33,841, respectively, for the years then ended.

## 4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

## 5. CLAIMS, COMMITMENT AND CONTINGENCIES

### A. Compensated Absences

The County provides full-time employees with up to 30 days of sick time, to accrue at one and one half day per complete calendar month of employment. Upon termination, the

employee is not compensated accrued sick time. Vacation time is accrued for every full-time employee, and accrues at the rate of 5 days per year up to two and 20 days per year depending on length of employment. Employees must use vacation time in the year it is earned.

#### B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

### 6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

### 7. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2011:

#### A. Bonds Payable:

The County issued certificates of participation bonds to provide funds for the construction of a new law enforcement facility and to repay the related bond anticipation notes. The County created a Law Enforcement Sales Tax Fund and a Bond Reserve Fund in which the activity for this project and the bond reserve are recorded. Sales tax revenue bonds are payable from a one-half cent sales tax plus the interest from the Bond Reserve fund. The County debt at December 31, 2011 consisted of the following Certificates of Participation:

1) Certificates of Participation:

\$8,905,000 outstanding as of December 31, 2011; Certificates of Participation Series 2007, issued for the Law Enforcement Project, due in semi-annual installments of \$174,444 and \$569,444, interest at 3.7% through October 1, 2012; \$134,126 to \$609,126, interest at 3.75% to 3.95% through October 1, 2017; \$70,374 to \$670,374, interest at 4% to 4.2% through October 1, 2023; \$15,520 to \$725,620, interest \$4.25% to 4.4% through maturity at October 1, 2027.

8. CHANGE IN REPORTING ENTITY

The County has changed its definition of the reporting entity, as of January 1, 2010, to include the Recycling Income, United Way Dare and Payment in Lieu of Tax funds, as these funds are fiduciary in nature. The effect of the aforementioned change in reporting entity is to increase cash balances of the governmental funds as previously reported at December 31, 2009 by the amount representing cash balances of the Recycling Income and United Way Dare funds, which were \$13,305 and \$950, respectively.

9. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 15, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



## **COMPLIANCE SECTION**

## McBRIDE, LOCK & ASSOCIATES

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Vernon County, Missouri

We have audited the accompanying financial statements of Vernon County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated June 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of Vernon County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Vernon County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vernon County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vernon County, Missouri's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 2 and 3.

We also noted two matters that we reported to management of Vernon County, Missouri, in the accompanying schedule of findings and questioned costs section as item 4 and 5.

Vernon County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Vernon County, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
June 15, 2012

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Vernon County, Missouri

Compliance

We have audited Vernon County, Missouri's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the years ended December 31, 2011 and 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the years ended December 31, 2011 and 2010.

## Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal programs to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Vernon County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
June 15, 2012

VERNON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	2011
			2010	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2006ED07	\$ 1,050	\$ -
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants		32,368	17,919
Passed through:				
State Department of Public Safety -				
16.726	Juvenile Mentoring Program	2009EUDL29	-	1,063
16.523	Juvenile Accountability Block Grants	ERS172350	12,959	-
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	ERO172354	6,399	-
		ERS172392	-	29,323
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2009-LBGJ-083	6,309	-
		2010-LBGJ-092	-	4,933
		2010-JAG-028	-	49,833
		2009-JAG-RA-092	-	27,347
16.710	Public Safety Partnership and Community Policing Grants	2010CKWX0183 (MOSMART)	-	84,992
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			-
		2009-REC-JAG-032	32,379	
		*	6,351	-
16.753	Congressionally Recommended Awards	2009D1BX0017 (MOSMART)	80,220	-
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	2010DCESP09	459	-
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through State Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-B108(34)	205,754	-
		BRO-B108(35)	-	36,272
		BRO-B108(36)	-	35,738
		BRO-B108(37)	-	35,738
		BRO-B108(38)	-	38,736
20.607	Alcohol Open Container Requirements	*	15,512	3,723
20.600	State and Community Highway Safety	*	7,014	742
20.613	Child Safety and Child Booster Seats Incentive Grants			76
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I		1,184	577
Passed through Department of Public Safety -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	HMPG	8,185	3,968
GENERAL SERVICES ADMINISTRATION				
Passed through the Office of Secretary of State -				
39.011	Election Reform Payments		2,158	4,204
ELECTION ASSISTANCE COMMISSION				
Passed through the Office of Secretary of State -				
90.401	Help America Vote Act Requirements Payments		2,453	
			1,894	
				3,442
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Social Services -				
93.563	Child Support Enforcement	*	1,802	1,857
93.569	Community Services Block Grant	*	32,389	34,208
93.617	Voting Access for Individuals with Disabilities - Grants to States		-	69
U. S. DEPARTMENT OF HOMELAND SECURITY				
Passed through State Department of Public Safety:				
97.036	Disaster Grants - Public Assistance Grants (Presidentially declared disasters)	FEMA 732	42,792	
	Disaster Grants - Public Assistance Grants (Presidentially declared disasters)	*		2,319
97.067	Homeland Security Grant Program	EMPG	19,303	19,529
97.053	Citizen Corps	44-600613	1,018	788
Total Expenditures of Federal Awards			<u>\$ 519,952</u>	<u>\$ 437,396</u>

\* - the County was unable to provide the Pass-Through Entity Identifying Number. The County was unable to locate the grant agreement for this award. See Federal Finding No. 2011-2

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**VERNON COUNTY, MISSOURI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – SUBRECIPIENTS**

The County provided no federal awards to sub-recipients during the years ended December 31, 2011 and 2010.

VERNON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2011 AND 2010

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Federal Awards:**

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? ☒ Yes ☐ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction
16.710	Public Safety Partnership And Community Policing Grants

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No



## **SECTION II – FINANCIAL STATEMENTS FINDINGS**

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Bond Reserve Monitoring and Reporting
2. Budgetary Compliance
3. Procurement Procedures
4. Accounting for Transfers
5. Timely Filing of Collector's Annual Settlement

Summary Schedule of Prior Audit Findings:

1. Bond Reserve Monitoring and Reporting
2. Budgetary Controls
3. Absence of Investment Policy
4. Accounting for Transfers

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Federal Grantor: U.S. Department of Justice-Direct Programs

Pass through Grantor: N/A

Federal CFDA Number: 16.710

Program Title: Public Safety Partnership and Community Policing Grants

Pass through Entity Identifying Numbers: N/A

Award Years: 2010 and 2011

Questioned Costs: None

Federal Grantor: U.S. Department of Justice

Pass through Grantor: State Department of Public Safety

Federal CFDA Number: 16.710

Program Title: Public Safety Partnership and Community Policing Grants

Pass through Entity Identifying Numbers: 2010CKWX0183

Award Years: 2011

Questioned Costs: None

Federal Grantor: U.S. Department of Justice

Pass through Grantor: Department of Public Safety

Federal CFDA Number: 16.580

Program Title: Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program

Pass through Entity Identifying Numbers: N/A

Award Years: 2010

Questioned Costs: None

Federal Grantor: U.S. Department of Transportation

Pass through Grantor: State Highway and Transportation Commission

Federal CFDA Number: 20.607

Program Title: Alcohol Open Container Requirements

Pass through Entity Identifying Numbers: N/A  
Award Years: 2010 and 2011  
Questioned Costs: None

Federal Grantor: U.S. Department of Transportation  
Pass through Grantor: State Highway and Transportation Commission  
Federal CFDA Number: 20.600  
Program Title: State and Community Highway Safety  
Pass through Entity Identifying Numbers: N/A  
Award Years: 2010 and 2011  
Questioned Costs: None

Federal Grantor: U.S. Department of Health and Human Services  
Pass through Grantor: Department of Social Services  
Federal CFDA Number: 93.563  
Program Title: Child Support Enforcement  
Pass through Entity Identifying Numbers: N/A  
Award Years: 2010 and 2011  
Questioned Costs: None

Federal Grantor: U.S. Department of Health and Human Services  
Pass through Grantor: Department of Social Services  
Federal CFDA Number: 93.569  
Program Title: Community Services Block Grant  
Pass through Entity Identifying Numbers: N/A  
Award Years: 2010 and 2011  
Questioned Costs: None

Federal Grantor: U.S. Department of Homeland Security  
Pass through Grantor: Department of Public Safety  
Federal CFDA Number: 97.036  
Program Title: Disaster Grants - Public Assistance Grants (Presidentially declared disasters)  
Pass through Entity Identifying Numbers: N/A  
Award Years: 2011  
Questioned Costs: None

See Findings and Recommendation Sections, Findings 2011-1 and 2011-2 entitled:  
2011-1. Incorrect Schedule of Expenditures of Federal Awards (SEFA)  
2011-2. Document Retention

#### **SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**None**

## **FINDINGS AND RECOMMENDATIONS**

VERNON COUNTY, MISSOURI  
FINDINGS AND RECOMMENDATIONS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

None

**SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

**1. Bond Reserve Monitoring and Reporting**

Condition: A bond reserve was established in connection with the County's issuance of certificates of participation to finance the costs of the County Law Enforcement Facility in 2007. The Reserve Fund for the Certificates was established pursuant to the Declaration and was required to be funded at the time of the delivery of the Certificates from proceeds of the Certificates in an amount equal to \$744,086 (the "Reserve Requirement"). The reserve is to remain invested until the certificates of participation are paid in full in 2027, with the balances of the fund is to be used toward the final bond payment.

The interest earned by the fund and sales taxes collected by the County are used toward the payments of these certificates. While the bond reserve was presented in the County's published financial statements, the reserve fund is included in the Budget under County Long Term Debt as a reduction of long term debt. However this does not include associated transactions in the County's annual budget. The omission of cash and disbursement transactions from the County's central accounting system misstates the financial statements and also weakens internal control by reducing the oversight and monitoring functions pertaining to the disbursement of the funds and the repayment of the related debt.

Recommendation: We recommend that the County record all transactions associated with the Bond Reserve in the County's accounting system. These transactions and balances should also be included in the annual County Budget.

County's Response: The County is required to have a bond reserve fund and those funds are managed outside of the County's regular funds. The County will review prior history provided by the Trust company for the funds held in the bond reserve and start a new fund which simply mirrors the activities of the account held by the Trust Company.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

## **ITEMS OF NONCOMPLIANCE**

### **2. Budgetary Compliance**

Condition: We noted two areas of noncompliance with State Statutes regarding the County's budgeting process during 2011 and 2010, as follows:

- a) Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the Bond Reserve Fund in Fiscal year 2011 and 2010.
- b) Actual expenditures exceeded budgeted expenditures for the Bond Reserve Fund in fiscal year 2011 and 2010 because a budget was not adopted for the Fund.

Recommendation: We recommend the County Commission and County Clerk ensure compliance with State Statutes and the Missouri Constitution by adopting a formal budget for all funds and refrain from approving proposed expenditures in excess of budgeted amounts.

County's Response: The County is required to have a bond reserve fund and those funds are managed outside of the County's regular funds. The County will review prior history provided by the Trust Company for the funds held in the bond reserve and start a new fund which simply mirrors the activities of the account held by the Trust Company.

Auditor's Response: The stated corrective action is responsive to the recommendation.

### **3. Procurement Procedures**

Condition: The County was unable to locate the procurement documentation in regards to selecting a car dealership from which to lease two sheriff patrol vehicles. RSMO 50.660 states "All contracts and purchases shall be let to the lowest and best bidder after due opportunity for competition."

Recommendation: We recommend that the County Clerk develop and implement procedures to ensure adequate record retention.

County Responses: The Sheriff's Office states that the dealership where these patrol vehicles were leased is the only company available that has no mileage restrictions on leased vehicles. Therefore, a single source allowing for their purchase. We do realize that was not noted in the minutes. The Commission and the Clerk will see that statement is included in any single source purchase. All officials will be reminded of the bidding laws.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

## **OTHER MATTERS**

In planning and performing our audit of the financial statements of Vernon County, Missouri (the County) as of and for the years ended December 31, 2011 and 2010, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the County's financial statements and not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated June 15, 2012. (A separate report dated June 15, 2012 contains our report on significant deficiencies in the County's internal control.) This document does not affect our report dated June 15, 2012.

### **4. Accounting for Transfers**

Condition: The County's financial statements as presented in the annual budget should record all transfers. The auditors noted that transfers between the General Revenue, Special Road and Bridge, and Assessment funds were generally accurate, transfers to and from other funds were not always properly classified.

The audit noted seven instances in which expenses had been misclassified as transfers out. The audit also noted an instance in which a transfer in was misclassified as an intergovernmental revenue. It is important that transfers between funds be accounted for and reported as such. Failure to do so places the County at greater risk for inaccurate reporting of expenses and revenues.

The financial statements presented in this report have been revised to balance transfers in and transfers out between funds.

Recommendation: We recommend that the County ensure that transactions between funds are recorded as transfers in and out and that they are in balance at all times. Other types of transactions should not be presented in the Transfers category.

County's Response: In 2012 a new budget line within the General Fund called transfers-in was created in hopes this will segregate the transfers to one budget line allowing for a more efficient tracking system.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

## **5. Timely Filing of Collector's Annual Settlement**

Condition: The Collector filed annual settlements later than the due date of the first Monday in March 2011 and 2012. The settlement for 2010 was certified on April 22, 2011 and the settlement for 2011 was certified on April 2, 2012.

Recommendation: We recommend the County Collector establish procedures to ensure that future settlements are submitted by the required date.

County's Response: The Collector's association will be trying to change this law in the 2013 legislative session. This law does not allow adequate time for the collector's to receive statements for balancing the annual settlement. The delinquent tax books must be printed and checked for accuracy as well as continued daily work of collecting delinquent taxes, distributing the taxes to all political sub-divisions. Therefore making it impossible to meet the first Monday in March deadline as required by the state statute.

Auditor's Evaluation: The stated corrective action is responsive to the recommendation.

## FEDERAL FINDINGS AND QUESTIONED COST

### **2011-1: Incorrect Schedule of Expenditures of Federal Awards (SEFA)**

Condition: The County Clerk did not prepare an accurate SEFA for the years ending December 31, 2010 and 2011. Reporting was based on reimbursements received for CFDA Number 16.710 rather than expenditures incurred during the year. As a result, expenditures were understated on the draft SEFA by \$6,010. The December 31, 2011 Schedule of Expenditures of Federal Awards included with this report has been adjusted to correct this condition.

Recommendation: We recommend that County Clerk implement procedures to ensure that federal expenditures incurred during the year are reported on the Schedule of Federal Expenditures.

County Response: The Clerk's office will enlist the cooperation of each division in determining if funds deposited include expenses from the previous year.

Auditor's Response: The stated corrective action is responsive to the recommendation.

### **2011-2: Document Retention**

Condition: The County was unable to provide the grant agreements, inclusive of the identifying numbers for six grants (CFDA 16.580, 20.607, 20.600, 93.563, 93.569, 97.036) passed through four different state agencies.

Recommendation: We recommend that the County Clerk develop and implement procedures to ensure adequate record retention.

County Response: It is the County's understanding that not all state agencies of federal agencies provide a pass through entity identifying number. If those are available I believe it is the responsibility of the pass through agency to provide them to the county and we should not be written up if the information is not included as part of the application or award documentation provided from the agency.

Auditor's Evaluation: The County needs to maintain proper filing of grant agreements.



VERNON COUNTY, MISSOURI  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Vernon County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

1. The Reserve Fund and associated transactions are not included in the County's annual budget.

*Status – Not resolved. See finding No. 1.*

2. The County did not exercise adequate budgetary control over funds which incurred expenditures in excess of the authorized budgeted levels.

*Status - Not resolved. See finding No. 2.*

3. The County has not adopted an investment policy as required by State Statutes.

*Status – Resolved.*

4. Transfers were not always properly identified and in balance.

*Status – Not resolved See finding No. 4.*



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Montgomery County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Montgomery County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey-Beard-Boehmer PC, Certified Public Accountants, is attached.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-112

**INDEPENDENT AUDITORS' REPORT**  
**MONTGOMERY COUNTY, MISSOURI**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2011 AND 2010**

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**CASEY-BEARD-BOEHMER PC  
CERTIFIED PUBLIC ACCOUNTANTS  
COLUMBIA, MISSOURI**

# MONTGOMERY COUNTY, MISSOURI

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## **INDEPENDENT AUDITORS' REPORT**

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

August 24, 2012

## INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Montgomery County, Missouri

We have audited the accompanying financial statements of Montgomery County, Missouri, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of Montgomery County, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, Montgomery County, Missouri, prepares its financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Montgomery County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts, disbursements, and changes in cash of the funds of Montgomery County, Missouri, as of December 31, 2011 and 2010, and budgetary results for the years then ended on the basis of accounting described in Note 1.

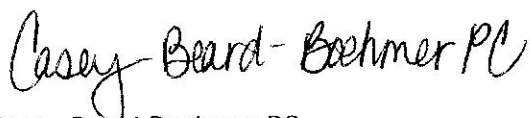
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**MONTGOMERY COUNTY, MISSOURI**  
**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012 on our consideration of Montgomery County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the Missouri State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC  
Certified Public Accountants

## **FINANCIAL STATEMENTS**



**MONTGOMERY COUNTY, MISSOURI**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Fund	Cash January 1, 2010	Receipts	Disbursements	Cash December 31, 2010	Receipts	Disbursements	Cash December 31, 2011
General Revenue	\$ 593	3,168,773	3,169,366	-	3,331,230	3,314,680	16,550
Special Road and Bridge Assessment	724,742	1,688,727	1,409,143	1,004,326	1,608,359	1,449,166	1,163,519
Dare/Pride	118,849	288,328	261,508	145,669	297,529	232,964	210,234
Emergency Management	3,334	25	11	3,348	21	8	3,361
Emergency 911	336	73,628	66,750	7,214	80,760	68,476	19,498
Prosecuting Attorney Bad Check	11,285	107,675	110,300	8,660	115,437	120,826	3,271
Capital Improvements	31,870	8,383	21,296	18,957	11,704	14,381	16,280
Law Enforcement Training	136,784	449,697	463,334	123,147	471,692	376,568	218,271
Prosecuting Attorney Training	9,775	3,230	2,044	10,961	3,446	12	14,395
Johnson Grass	12,504	882	752	12,634	921	1,879	11,676
Recorder User Fee	5,769	-	-	5,769	-	-	5,769
Sheriff Forfeiture	34,355	5,385	4,537	35,203	4,809	6,691	33,321
Local Emergency Planning Commission	6,536	49	-	6,585	40	2,898	3,727
Prosecuting Attorney Delinquent Tax	39,434	4,077	205	43,306	247	7,248	36,305
Reserve General Revenue	12,420	896	55	13,261	385	20	13,626
Sheriff Revolving	489,174	4,717	179,015	314,876	82,024	74,061	322,839
Post Commission	13,407	4,771	11	18,167	5,050	12	23,205
Special Election	1,541	1,506	1,494	1,553	1,517	1,520	1,550
Sheriff Operations	4,171	46,328	50,499	-	20,427	18,345	2,082
Election Services	110,649	54,565	79,685	85,529	77,028	65,670	96,887
Children's Trust	1,213	4,860	4,312	1,761	1,179	2,447	493
Courthouse Annex Building	6,499	3,790	1,000	9,289	3,954	5,008	8,235
Recorder Technology	5,014	10	5,024	-	-	-	-
Collector's Tax Maintenance	27,476	3,154	1,535	29,095	2,779	1,229	30,645
Inmate Security	15,907	21,440	16,053	21,294	18,297	18,296	21,295
	9,830	3,184	-	13,014	3,426	-	16,440
Totals	\$ 1,833,467	5,948,080	5,847,929	1,933,618	6,142,261	5,782,405	2,293,474

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>General Revenue Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Property taxes	\$ 570,000	575,756	5,756	\$ 523,000	560,856	37,856
Sales taxes	1,130,000	1,175,077	45,077	1,072,500	1,104,552	32,052
Intergovernmental	953,350	1,031,590	78,240	966,500	732,227	(234,273)
Charges for services	475,000	365,019	(109,981)	372,250	468,210	95,960
Interest	2,000	2,031	31	3,400	1,682	(1,718)
Other	308,250	53,445	(254,805)	106,800	80,132	(26,668)
Transfers in	133,190	128,312	(4,878)	506,260	221,114	(285,146)
Total Receipts	\$ 3,571,790	3,331,230	(240,560)	\$ 3,550,710	3,168,773	(381,937)
<b>DISBURSEMENTS</b>						
General County Government-						
County Commission	\$ 116,690	114,199	(2,491)	\$ 102,630	99,424	(3,206)
County Clerk	121,350	117,964	(3,386)	122,410	116,198	(6,212)
Elections	5,000	-	(5,000)	8,000	8,000	-
Buildings and grounds	136,460	151,171	14,711	158,250	136,294	(21,956)
Employee fringe benefits	11,000	13,369	2,369	11,500	9,145	(2,355)
County Treasurer	53,160	52,513	(647)	52,880	50,544	(2,336)
County Collector	86,860	85,247	(1,613)	86,855	87,162	307
Recorder of Deeds	81,050	79,230	(1,820)	79,150	73,899	(5,251)
Circuit Clerk	38,800	18,840	(19,960)	38,861	21,228	(17,633)
Associate Circuit (Probate) Court	-	-	-	-	1,098	1,098
Court Administration	44,360	43,321	(1,039)	45,540	43,739	(1,801)
Public Administrator	33,570	33,469	(101)	33,670	33,007	(663)
Planning and Zoning	19,360	16,496	(2,864)	20,460	14,815	(5,645)
Surveyor	4,900	1,274	(3,626)	7,400	4,969	(2,431)
Other	317,340	261,633	(55,707)	308,710	312,396	3,686
Public Safety-						
Sheriff	666,700	632,374	(34,326)	654,700	586,193	(68,507)
Jail	1,136,300	1,018,137	(118,163)	1,130,400	979,288	(151,112)
Communications / Dispatch	240,060	264,316	24,256	245,130	243,498	(1,632)
Prosecuting Attorney	213,770	213,581	(189)	207,580	213,951	6,371
Juvenile Officer	60,740	48,409	(12,331)	62,160	61,958	(202)
County Coroner	22,400	22,537	137	22,155	25,960	3,805
Transfers out	47,100	126,600	79,500	47,100	46,600	(500)
Emergency Fund	103,710	-	(103,710)	103,220	-	(103,220)
Total Disbursements	\$ 3,560,680	3,314,680	(246,000)	\$ 3,548,761	3,169,366	(379,395)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 11,110	16,550	5,440	\$ 1,949	(593)	(2,542)
CASH, JANUARY 1	-	-	-	593	593	-
CASH, DECEMBER 31	\$ 11,110	16,550	5,440	\$ 2,542	-	(2,542)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Special Road and Bridge Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Property taxes	\$ 1,000,000	913,395	(86,605)	\$ 920,000	981,287	61,287
Intergovernmental	544,000	682,805	138,805	469,000	653,721	184,721
Charges for services	100	745	645	100	-	(100)
Interest	13,000	9,054	(3,946)	16,000	13,309	(2,691)
Other	5,100	2,360	(2,740)	32,500	40,410	7,910
Total Receipts	\$ 1,562,200	1,608,359	46,159	\$ 1,437,600	1,688,727	251,127
<b>DISBURSEMENTS</b>						
Salaries	\$ 447,000	430,729	(16,271)	\$ 451,920	428,048	(23,872)
Employee fringe benefits	122,410	106,144	(16,266)	157,250	102,660	(54,590)
Supplies	223,000	209,060	(13,940)	193,000	197,856	4,856
Insurance	15,000	13,203	(1,797)	15,000	13,354	(1,646)
Road and bridge materials	339,500	338,103	(1,397)	331,500	306,640	(24,860)
Equipment repairs	90,000	93,167	3,167	75,000	80,148	5,148
Rentals	1,000	896	(104)	1,000	-	(1,000)
Equipment purchases	150,000	148,629	(1,371)	100,000	88,575	(11,425)
Road and bridge construction	192,500	68,329	(124,171)	243,500	151,808	(91,692)
Transfers out	44,000	40,906	(3,094)	44,000	40,054	(3,946)
Total Disbursements	\$ 1,624,410	1,449,166	(175,244)	\$ 1,612,170	1,409,143	(203,027)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (62,210)	159,193	221,403	\$ (174,570)	279,584	454,154
CASH, JANUARY 1	1,004,326	1,004,326	-	724,742	724,742	-
CASH, DECEMBER 31	\$ 942,116	1,163,519	221,403	\$ 550,172	1,004,326	454,154

<b>Assessment Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Intergovernmental	\$ 236,780	238,234	1,454	\$ 236,780	228,777	(8,003)
Charges for services	7,130	10,672	3,542	1,500	8,160	6,660
Interest	1,500	1,395	(105)	2,000	1,563	(437)
Other	-	628	628	200	3,153	2,953
Transfers in	46,600	46,600	-	46,600	46,675	75
Total Receipts	\$ 292,010	297,529	5,519	\$ 287,080	288,328	1,248
<b>DISBURSEMENTS</b>						
Assessor	\$ 41,000	41,000	-	\$ 41,000	41,000	-
Salaries	170,850	118,997	(51,853)	169,900	125,660	(44,240)
Employee fringe benefits	39,590	35,574	(4,016)	38,080	30,439	(7,641)
Office expenses	7,000	4,922	(2,078)	7,000	4,686	(2,314)
Equipment	17,100	16,927	(173)	20,290	14,935	(5,355)
Mileage and Training	12,500	7,808	(4,692)	11,000	12,354	1,354
Other	28,500	7,736	(20,764)	32,790	32,434	(356)
Total Disbursements	\$ 316,540	232,964	(83,576)	\$ 320,060	261,508	(58,552)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (24,530)	64,565	89,095	\$ (32,980)	26,820	59,800
CASH, JANUARY 1	145,669	145,669	-	118,849	118,849	-
CASH, DECEMBER 31	\$ 121,139	210,234	89,095	\$ 85,869	145,669	59,800

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Dare/Pride Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 30	21	(9)	\$ 30	25	(5)
Total Receipts	\$ 30	21	(9)	\$ 30	25	(5)
DISBURSEMENTS						
Office	\$ 1,500	8	(1,492)	\$ 1,500	11	(1,489)
Total Disbursements	\$ 1,500	8	(1,492)	\$ 1,500	11	(1,489)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,470)	13	1,483	\$ (1,470)	14	1,484
CASH, JANUARY 1	3,348	3,348	-	3,334	3,334	-
CASH, DECEMBER 31	\$ 1,878	3,361	1,483	\$ 1,864	3,348	1,484

<b>Emergency Management Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 31,000	32,425	1,425	\$ 30,420	26,694	(3,726)
Interest	300	191	(109)	300	254	(46)
Other	48,500	48,144	(356)	46,000	46,680	680
Total Receipts	\$ 79,800	80,760	960	\$ 76,720	73,628	(3,092)
DISBURSEMENTS						
Salaries	\$ 38,510	38,507	(3)	\$ 38,510	38,506	(4)
Employee benefits	9,270	9,369	99	8,450	8,781	331
Office	27,800	15,600	(12,200)	13,430	11,003	(2,427)
Transfers out	5,000	5,000	-	8,460	8,460	-
Total Disbursements	\$ 80,580	68,476	(12,104)	\$ 68,850	66,750	(2,100)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (780)	12,284	13,064	\$ 7,870	6,878	(992)
CASH, JANUARY 1	7,214	7,214	-	336	336	-
CASH, DECEMBER 31	\$ 6,434	19,498	13,064	\$ 8,206	7,214	(992)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Emergency 911 Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 600	295	(305)	\$ 200	579	379
Charges for services	103,000	109,585	6,585	95,000	101,832	6,832
Interest	50	60	10	50	57	7
Other	500	5,497	4,997	300	5,207	4,907
Total Receipts	\$ 104,150	115,437	11,287	\$ 95,550	107,675	12,125
DISBURSEMENTS						
Salaries	\$ 49,760	63,987	14,227	\$ 41,640	59,037	17,397
Employee benefits	11,220	13,309	2,089	9,640	11,213	1,573
Office	42,990	43,530	540	43,790	40,050	(3,740)
Total Disbursements	\$ 103,970	120,826	16,856	\$ 95,070	110,300	15,230
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 180	(5,389)	(5,569)	\$ 480	(2,625)	(3,105)
CASH, JANUARY 1	8,660	8,660	-	11,285	11,285	-
CASH, DECEMBER 31	\$ 8,840	3,271	(5,569)	\$ 11,765	8,660	(3,105)

<b>Prosecuting Attorney Bad Check Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 8,000	11,539	3,539	\$ 15,000	7,849	(7,151)
Interest	300	141	(159)	500	348	(152)
Other	-	24	24	-	186	186
Total Receipts	\$ 8,300	11,704	3,404	\$ 15,500	8,383	(7,117)
DISBURSEMENTS						
Salaries	\$ 12,600	10,553	(2,047)	\$ 12,250	12,236	(14)
Employee benefits	3,480	1,762	(1,718)	780	518	(262)
Office	11,100	2,066	(9,034)	10,650	8,542	(2,108)
Total Disbursements	\$ 27,180	14,381	(12,799)	\$ 23,680	21,296	(2,384)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (18,880)	(2,677)	16,203	\$ (8,180)	(12,913)	(4,733)
CASH, JANUARY 1	18,957	18,957	-	31,870	31,870	-
CASH, DECEMBER 31	\$ 77	16,280	16,203	\$ 23,690	18,957	(4,733)

<b>Capital Improvements Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales taxes	\$ 455,000	470,028	15,028	\$ 427,000	441,844	14,844
Interest	3,000	1,493	(1,507)	3,000	2,635	(365)
Other	15,500	171	(15,329)	14,400	5,218	(9,182)
Total Receipts	\$ 473,500	471,692	(1,808)	\$ 444,400	449,697	5,297
DISBURSEMENTS						
Salaries	\$ 37,500	28,164	(9,336)	\$ 54,510	42,179	(12,331)
Employee benefits	9,310	8,627	(683)	9,390	9,179	(211)
Office	423,030	339,777	(83,253)	432,400	411,976	(20,424)
Total Disbursements	\$ 469,840	376,568	(93,272)	\$ 496,300	463,334	(32,966)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,660	95,124	91,464	\$ (51,900)	(13,637)	38,263
CASH, JANUARY 1	123,147	123,147	-	136,784	136,784	-
CASH, DECEMBER 31	\$ 126,807	218,271	91,464	\$ 84,884	123,147	38,263

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Law Enforcement Training Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 3,500	3,369	(131)	\$ 3,500	3,159	(341)
Interest	70	77	7	70	71	1
Total Receipts	\$ 3,570	3,446	(124)	\$ 3,570	3,230	(340)
DISBURSEMENTS						
Office	\$ 3,000	12	(2,988)	\$ 3,000	2,044	(956)
Total Disbursements	\$ 3,000	12	(2,988)	\$ 3,000	2,044	(956)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 570	3,434	2,864	\$ 570	1,186	616
CASH, JANUARY 1	10,961	10,961	-	9,775	9,775	-
CASH, DECEMBER 31	\$ 11,531	14,395	2,864	\$ 10,345	10,961	616

<b>Prosecuting Attorney Training Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 800	842	42	\$ 750	790	40
Interest	100	79	(21)	100	92	(8)
Total Receipts	\$ 900	921	21	\$ 850	882	32
DISBURSEMENTS						
Office	\$ 3,000	1,879	(1,121)	\$ 3,000	752	(2,248)
Total Disbursements	\$ 3,000	1,879	(1,121)	\$ 3,000	752	(2,248)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,100)	(958)	1,142	\$ (2,150)	130	2,280
CASH, JANUARY 1	12,634	12,634	-	12,504	12,504	-
CASH, DECEMBER 31	\$ 10,534	11,676	1,142	\$ 10,354	12,634	2,280

<b>Johnson Grass Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ -	-	-	\$ -	-	-
Total Receipts	\$ -	-	-	\$ -	-	-
DISBURSEMENTS						
Office	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	-	-	\$ -	-	-
CASH, JANUARY 1	5,769	5,769	-	5,769	5,769	-
CASH, DECEMBER 31	\$ 5,769	5,769	-	\$ 5,769	5,769	-

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Recorder User Fee Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 6,000	4,588	(1,412)	\$ 6,000	4,599	(1,401)
Interest	400	221	(179)	500	450	(50)
Other	-	-	-	-	336	336
Total Receipts	\$ 6,400	4,809	(1,591)	\$ 6,500	5,385	(1,115)
DISBURSEMENTS						
Office	\$ 33,000	6,691	(26,309)	\$ 33,000	4,537	(28,463)
Total Disbursements	\$ 33,000	6,691	(26,309)	\$ 33,000	4,537	(28,463)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (26,600)	(1,882)	24,718	\$ (26,500)	848	27,348
CASH, JANUARY 1	35,203	35,203	-	34,355	34,355	-
CASH, DECEMBER 31	\$ 8,603	33,321	24,718	\$ 7,855	35,203	27,348

<b>Sheriff Forfeiture Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over ( Under) Budget
RECEIPTS						
Interest	\$ 50	36	(14)	\$ 60	49	(11)
Other	-	4	4	-	-	-
Total Receipts	\$ 50	40	(10)	\$ 60	49	(11)
DISBURSEMENTS						
Office	\$ 3,000	2,898	(102)	\$ 3,000	-	(3,000)
Total Disbursements	\$ 3,000	2,898	(102)	\$ 3,000	-	(3,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,950)	(2,858)	92	\$ (2,940)	49	2,989
CASH, JANUARY 1	6,585	6,585	-	6,536	6,536	-
CASH, DECEMBER 31	\$ 3,635	3,727	92	\$ 3,596	6,585	2,989

<b>Local Emergency Planning Commission Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over ( Under) Budget
RECEIPTS						
Interest	\$ 370	247	(123)	\$ 300	365	65
Other	3,700	-	(3,700)	5,300	3,712	(1,588)
Total Receipts	\$ 4,070	247	(3,823)	\$ 5,600	4,077	(1,523)
DISBURSEMENTS						
Office	\$ 47,000	7,248	(39,752)	\$ 45,100	205	(44,895)
Total Disbursements	\$ 47,000	7,248	(39,752)	\$ 45,100	205	(44,895)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (42,930)	(7,001)	35,929	\$ (39,500)	3,872	43,372
CASH, JANUARY 1	43,306	43,306	-	39,434	39,434	-
CASH, DECEMBER 31	\$ 376	36,305	35,929	\$ (66)	43,306	43,372

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Prosecuting Attorney Delinquent Tax Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,000	300	(700)	\$ 1,000	800	(200)
Interest	100	85	(15)	100	96	(4)
Total Receipts	\$ 1,100	385	(715)	\$ 1,100	896	(204)
DISBURSEMENTS						
Office	\$ 200	20	(180)	\$ 200	55	(145)
Total Disbursements	\$ 200	20	(180)	\$ 200	55	(145)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 900	365	(535)	\$ 900	841	(59)
CASH, JANUARY 1	13,261	13,261	-	12,420	12,420	-
CASH, DECEMBER 31	\$ 14,161	13,626	(535)	\$ 13,320	13,261	(59)

<b>Reserve General Revenue Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 5,000	2,024	(2,976)	\$ 5,000	4,717	(283)
Transfers in	500	80,000	79,500	500	-	(500)
Total Receipts	\$ 5,500	82,024	76,524	\$ 5,500	4,717	(783)
DISBURSEMENTS						
Transfers out	\$ 300,000	74,061	(225,939)	\$ 475,000	179,015	(295,985)
Total Disbursements	\$ 300,000	74,061	(225,939)	\$ 475,000	179,015	(295,985)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (294,500)	7,963	302,463	\$ (469,500)	(174,298)	295,202
CASH, JANUARY 1	314,876	314,876	-	489,174	489,174	-
CASH, DECEMBER 31	\$ 20,376	322,839	302,463	\$ 19,674	314,876	295,202

<b>Sheriff Revolving Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 4,000	4,920	920	\$ 2,500	1,385	(1,115)
Interest	100	130	30	100	116	16
Other	1,000	-	(1,000)	500	3,270	2,770
Total Receipts	\$ 5,100	5,050	(50)	\$ 3,100	4,771	1,671
DISBURSEMENTS						
Office	\$ 2,500	12	(2,488)	\$ 2,500	11	(2,489)
Total Disbursements	\$ 2,500	12	(2,488)	\$ 2,500	11	(2,489)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,600	5,038	2,438	\$ 600	4,760	4,160
CASH, JANUARY 1	18,167	18,167	-	13,407	13,407	-
CASH, DECEMBER 31	\$ 20,767	23,205	2,438	\$ 14,007	18,167	4,160

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS



**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Post Commission Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ 1,550	1,517	(33)	\$ 1,600	1,506	(94)
Total Receipts	\$ 1,550	1,517	(33)	\$ 1,600	1,506	(94)
DISBURSEMENTS						
Office	\$ 1,500	1,520	20	\$ 1,600	1,494	(106)
Total Disbursements	\$ 1,500	1,520	20	\$ 1,600	1,494	(106)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 50	(3)	(53)	\$ -	12	12
CASH, JANUARY 1	1,553	1,553	-	1,541	1,541	-
CASH, DECEMBER 31	\$ 1,603	1,550	(53)	\$ 1,541	1,553	12

<b>Special Election Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ 25,000	20,427	(4,573)	\$ 80,000	46,328	(33,672)
Total Receipts	\$ 25,000	20,427	(4,573)	\$ 80,000	46,328	(33,672)
DISBURSEMENTS						
Office	\$ 25,000	18,345	(6,655)	\$ 80,000	50,499	(29,501)
Total Disbursements	\$ 25,000	18,345	(6,655)	\$ 80,000	50,499	(29,501)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	2,082	2,082	\$ -	(4,171)	(4,171)
CASH, JANUARY 1	-	-	-	4,171	4,171	-
CASH, DECEMBER 31	\$ -	2,082	2,082	\$ 4,171	-	(4,171)

<b>Sheriff Operations Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 16,000	15,924	(76)	\$ 16,000	15,924	(76)
Charges for services	48,000	60,494	12,494	48,000	35,959	(12,041)
Interest	900	610	(290)	1,000	889	(111)
Other	1,500	-	(1,500)	-	1,793	1,793
Total Receipts	\$ 66,400	77,028	10,628	\$ 65,000	54,565	(10,435)
DISBURSEMENTS						
Office	\$ 95,500	65,670	(29,830)	\$ 105,500	79,685	(25,815)
Total Disbursements	\$ 95,500	65,670	(29,830)	\$ 105,500	79,685	(25,815)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (29,100)	11,358	40,458	\$ (40,500)	(25,120)	15,380
CASH, JANUARY 1	85,529	85,529	-	110,649	110,649	-
CASH, DECEMBER 31	\$ 56,429	96,887	40,458	\$ 70,149	85,529	15,380

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Election Services Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Charges for services	\$ 4,000	-	(4,000)	\$ 6,000	4,171	(1,829)
Interest	50	13	(37)	100	11	(89)
Other	-	1,166	1,166	2,000	678	(1,322)
Total Receipts	\$ 4,050	1,179	(2,871)	\$ 8,100	4,860	(3,240)
<b>DISBURSEMENTS</b>						
Office	\$ 4,000	2,447	(1,553)	\$ 6,300	4,312	(1,988)
Total Disbursements	\$ 4,000	2,447	(1,553)	\$ 6,300	4,312	(1,988)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 50	(1,268)	(1,318)	\$ 1,800	548	(1,252)
CASH, JANUARY 1	1,761	1,761	-	1,213	1,213	-
CASH, DECEMBER 31	\$ 1,811	493	(1,318)	\$ 3,013	1,761	(1,252)

<b>Children's Trust Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Charges for services	\$ 3,800	3,895	95	\$ 2,850	3,725	875
Interest	60	59	(1)	40	59	19
Other	100	-	(100)	100	6	(94)
Total Receipts	\$ 3,960	3,954	(6)	\$ 2,990	3,790	800
<b>DISBURSEMENTS</b>						
Office	\$ 1,000	5,008	4,008	\$ 1,000	1,000	-
Total Disbursements	\$ 1,000	5,008	4,008	\$ 1,000	1,000	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,960	(1,054)	(4,014)	\$ 1,990	2,790	800
CASH, JANUARY 1	9,289	9,289	-	6,499	6,499	-
CASH, DECEMBER 31	\$ 12,249	8,235	(4,014)	\$ 8,489	9,289	800

<b>Courthouse Annex Building Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Interest	\$ 100	-	(100)	\$ 100	10	(90)
Total Receipts	\$ 100	-	(100)	\$ 100	10	(90)
<b>DISBURSEMENTS</b>						
Office	\$ 5,000	-	(5,000)	\$ 5,000	5,024	24
Total Disbursements	\$ 5,000	-	(5,000)	\$ 5,000	5,024	24
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,900)	-	4,900	\$ (4,900)	(5,014)	(114)
CASH, JANUARY 1	-	-	-	5,014	5,014	-
CASH, DECEMBER 31	\$ (4,900)	-	4,900	\$ 114	-	(114)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**MONTGOMERY COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Recorder Technology Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Charges for services	\$ 2,800	2,583	(217)	\$ 3,000	2,814	(186)
Interest	350	196	(154)	350	340	(10)
Total Receipts	\$ 3,150	2,779	(371)	\$ 3,350	3,154	(196)
<b>DISBURSEMENTS</b>						
Office	\$ 23,000	1,229	(21,771)	\$ 23,000	1,535	(21,465)
Total Disbursements	\$ 23,000	1,229	(21,771)	\$ 23,000	1,535	(21,465)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (19,850)	1,550	21,400	\$ (19,650)	1,619	21,269
CASH, JANUARY 1	29,095	29,095	-	27,476	27,476	-
CASH, DECEMBER 31	\$ 9,245	30,645	21,400	\$ 7,826	29,095	21,269

<b>Collector's Tax Maintenance Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Charges for services	\$ 21,000	18,114	(2,886)	\$ 21,000	21,251	251
Interest	190	183	(7)	500	189	(311)
Total Receipts	\$ 21,190	18,297	(2,893)	\$ 21,500	21,440	251
<b>DISBURSEMENTS</b>						
Office	\$ 31,000	18,296	(12,704)	\$ 31,200	16,053	(15,147)
Total Disbursements	\$ 31,000	18,296	(12,704)	\$ 31,200	16,053	(15,147)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (9,810)	1	9,811	\$ (9,700)	5,387	15,087
CASH, JANUARY 1	21,294	21,294	-	15,907	15,907	-
CASH, DECEMBER 31	\$ 11,484	21,295	9,811	\$ 6,207	21,294	15,087

<b>Inmate Security Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Charges for services	\$ 3,000	3,336	336	\$ 2,500	3,102	602
Interest	80	90	10	60	82	22
Total Receipts	\$ 3,080	3,426	346	\$ 2,560	3,184	624
<b>DISBURSEMENTS</b>						
Office	\$ 2,500	-	(2,500)	\$ 2,500	-	(2,500)
Total Disbursements	\$ 2,500	-	(2,500)	\$ 2,500	-	(2,500)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 580	3,426	2,846	\$ 60	3,184	3,124
CASH, JANUARY 1	13,014	13,014	-	9,830	9,830	-
CASH, DECEMBER 31	\$ 13,594	16,440	2,846	\$ 9,890	13,014	3,124

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

## **NOTES TO FINANCIAL STATEMENTS**

**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Montgomery County, Missouri is governed by a three-member board of commissioners. In addition to the three County Commissioners, there are eleven elected Constitutional Officers: Assessor, Circuit Clerk, Recorder, County Clerk, Collector, Treasurer, County Surveyor, Coroner, Prosecuting Attorney, Public Administrator and Sheriff.

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

**1. A. REPORTING ENTITY**

The county's operations include tax assessments and collections, county courts administration, county recorder, public safety and 911, economic development, road and bridge maintenance, social and human services, and cultural and recreation services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or elected county officials.

The financial statements referred to above include the primary government of Montgomery County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the county's legal entity.

**1. B. BASIS OF PRESENTATION**

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The county's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The county's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain county officials, particularly the County Collector, Treasurer, Sheriff, and Public Administrator collect and hold monies in a trustee capacity as an agent for individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are considered custodial in nature, and are not reported on the accompanying financial statements.

**1. C. BASIS OF ACCOUNTING**

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

**1. D. BUDGETS AND BUDGETARY ACCOUNTING**

The county follows these procedures in establishing the budgetary data reflected in the financial statements:

**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

1. In accordance with Chapter 50 RSMo, the county's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer or department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote. Budgeted amounts are as originally adopted, or as amended by the County Commission during the year. The County Commission did not amend any budgets for 2011 or 2010.
7. Budgets are prepared and adopted on the cash basis of accounting.
8. The county has established a separate budgeted fund called the Reserve General Revenue Fund. This fund is set aside to transfer reserves from the General Revenue Fund, and then used to transfer monies back to the General Revenue Fund as needed for payment of expenses or to other funds as necessary to help pay expenses.
9. Section 50.740, RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds for 2011 and 2010.

<u>Fund</u>	<u>Years Ended December 31,</u>
Emergency 911	2011 and 2010
Post Commission	2011
Children's Trust	2011
Courthouse Annex Building	2010

10. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. The Courthouse Annex Building Fund had a deficit budgeted cash balance in 2011 in the amount of \$4,900, while the Local Emergency Planning Commission Fund had a deficit budgeted cash balance of \$66 in 2010.

**1. E. USE OF ESTIMATES**

The preparation of financial statements in conformity with the cash basis of accounting used by the county requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. F. PROPERTY TAXES**

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as on January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments in the county.

The assessed valuation of the tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

		2011		2010
Real Estate	\$	59,230,110	\$	58,595,050
Personal Property		29,963,540		29,022,190
Railroad and Utilities		82,773,328		80,406,110
Total Assessed Valuation	\$	<u>171,966,978</u>	\$	<u>168,023,350</u>

The county-wide levy per \$100 of total assessed valuation of tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

		2011		2010
General Revenue Fund	\$	.2938	\$	.2755
Special Road and Bridge Fund *		.2832		.2787
DDAB of Montgomery County		.0970		.0954

\* The county retains all tax proceeds from areas not within special road districts. The county has two road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

**1. G. CASH DEPOSITS AND INVESTMENTS**

Cash deposits and investments in money market accounts and certificates of deposit are stated at cost, which approximates market. Cash balances for the County Treasurer's funds are invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days is considered as cash equivalents. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the county's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

**1. H. INTERFUND ACTIVITY**

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. Transfers between funds of the primary government for the years ended December 31, 2011 and 2010 were as follows:

	Year Ended December 31, 2011	
	Transfers In	Transfers Out
<b>FUNDS:</b>		
General Revenue Fund	\$ 128,312	\$ 126,600
Assessment Fund	46,600	-
Special Road and Bridge Fund	-	40,906
Emergency Management Fund	-	5,000
Reserve General Revenue Fund	80,000	74,061
Totals	\$ <u>254,912</u>	\$ <u>246,567</u>

	Year Ended December 31, 2010	
	Transfers In	Transfers Out
<b>FUNDS:</b>		
General Revenue Fund	\$ 221,114	\$ 46,600
Assessment Fund	46,675	-
Special Road and Bridge Fund	-	40,054
Emergency Management Fund	-	8,460
Reserve General Revenue Fund	-	179,015
Totals	\$ <u>267,789</u>	\$ <u>274,129</u>

The difference between transfers in and transfers out were mainly related to transfers recorded that were shown as receipts and disbursements in other classifications in the appropriate funds.

**1. I. PUBLISHED FINANCIAL STATEMENTS**

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. For the years ended December 31, 2011 and 2010, the published financial statements included all funds and the required information.

**NOTE 2. CASH AND INVESTMENTS**

The county has determined through experience that checking accounts, money market accounts, and certificates of deposits are appropriate types of accounts or instruments for its needs. Each fund type's portion of the cash and investments is included on the financial statements as "Cash" under each fund's caption. Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. At December 31, 2011 and 2010, the County had no such investments.

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand and time accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, and savings institutions.



**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

At December 31, 2011 and 2010, the total of all county's deposits held at the respective depository banks were adequately covered by Federal Depository Insurance Coverage and with additional collateral held by an independent bank in the county's name or by its agent in the county's name. The county's deposits were not subject to custodial or investment credit risk at year end.

In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted a written investment policy in accordance with applicable state law.

**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS**

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

**A. Missouri Local Government Employees Retirement System (LAGERS)**

**1) Plan Description**

Montgomery County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute, sections RSMo 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-477-4334.

**2) Pension Benefits**

Upon termination of employment, any member who is vested is entitled to either an unreduced benefit annuity, payable at age sixty (police and fire fighters, age fifty-five), or a reduced benefit annuity, payable at age fifty-five (police and fire fighters, age fifty). Any member with less than five years of creditable service will be refunded accumulated plan contributions.

**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)**

3) Funding Policy

The county's full-time employees are required to contribute 4% to the LAGERS pension plan. The county is required by state statute to contribute at an actuarially determined rate: the rate for 2011 was 3.20% (general) and 3.70% (police) and for 2010 the rate contributed was 2.20% (general) and 3.70% (police) of annual covered payroll. The County Commission determines the contribution requirements of plan members.

4) Annual Pension Cost

During 2011 and 2010, total payments to LAGERS were \$174,181 and 144,644, respectively.

**B. County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund (CERF) was established by the state of Missouri to provide pension benefits for county officials and employees.

1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under sections 56.800 to 56.840, RSMo; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; county sheriffs covered under sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Retirement Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the Fund and the investment of the Fund are vested in a board of directors of nine persons.

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service and at the age of fifty-five with reduced benefits. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the Fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll free 1-877-632-2373.

**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)**

3) Funding Policy

In accordance with state statutes, the Fund is partially funded through various fees collected by counties and remitted to the CERF. A contribution to CERF of 0% (LAGERS member) or 2% (non-LAGERS member) of annual salary is required for eligible employees hired before February 25, 2002. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% (LAGERS member) or 6% (non-LAGERS member) in order to participate in CERF. The county contributed 4% of the annual salaries for the eligible employees hired on or after February 25, 2002 through December 17, 2003. For employees hired after December 17, 2003, a contribution of 4% of annual salary for county employees is required of employees to participate in CERF. During 2011 and 2010, the county collected and remitted to CERF \$130,878 and \$136,123, respectively, for the years then ended.

**NOTE 4. PROSECUTING ATTORNEY RETIREMENT FUND**

In accordance with state statute Chapter 56.807 RSMo, the county contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the state of Missouri is responsible for administration of this plan. The county contributed \$2,244 and \$2,244, for the years ended December 31, 2011 and 2010, respectively.

**NOTE 5. POST- EMPLOYMENT BENEFITS**

The county does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the county.

**NOTE 6. CLAIMS, COMMITMENTS, AND CONTINGENCIES**

1) Compensated Absences

Vacation time is accrued for every eligible employee in the county and accrues at the rate of up to four weeks per year. On termination of employment, an employee is reimbursed for unused vacation time. The county provides full time employees and part-time employees who occupy regular budgeted positions with unlimited sick time which accrues at one and one-half days per calendar month of employment. Upon termination, no payment will be made for unused days.

2) Federal and State Assisted Programs

The county has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

**MONTGOMERY COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 7. RISK MANAGEMENT**

The county is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters, and have established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The county is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

**NOTE 8. LONG-TERM DEBT**

The county had the following debt outstanding at December 31, 2011:

- A. Long-term debt consists of \$3,680,000 original principal Montgomery County general obligation bonds series 1998 – due in semi-annual principal installments ranging from \$125,000 to \$189,000 through January 1, 2014, with a variable interest rate from 3.7 percent to 5.10 percent. The lease was refinanced in January 2011, with a variable interest rate from 1.10 to 2.25 percent, and principal installments ranging from \$150,000 to \$185,000.

The annual requirements to amortize all general obligation bonds outstanding as of December 31, including interest payments are as follows:

<u>Year Ended December 31,</u>		<u>Principal</u>		<u>Interest</u>
2012	\$	305,000	\$	18,021
2013		310,000		12,831
2014		340,000		5,881
Totals	\$	<u>955,000</u>	\$	<u>36,733</u>

- B. The county has entered into various lease-purchase agreements for vehicles through Ford Credit. These vehicles were purchased in 2010 and 2011 and they make various annual payments that do not exceed 36 months. The interest rates on the lease-purchases range from 6.50% to 7.10%. The annual requirements to amortize the automobile lease-purchase agreements outstanding as of December 31, including interest payments are as follows:

<u>Year Ended December 31,</u>		<u>Principal</u>		<u>Interest</u>
2012	\$	22,222	\$	2,039
2013		7,756		504
Totals	\$	<u>29,978</u>	\$	<u>2,543</u>

**NOTE 9. CONTINGENCIES**

The county is involved in a litigation matter at which time the probable outcome is not readily obtainable. The county's management and legal counsel anticipate that the potential claim against the county not covered by insurance, if any, resulting from such matter would not materially affect the financial position of the county.

## **COMPLIANCE SECTION**

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

August 24, 2012

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission  
and Officeholders  
of Montgomery County, Missouri

We have audited the financial statements of Montgomery County, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise Montgomery County's basic financial statements and have issued our report thereon dated August 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

Management of Montgomery County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Montgomery County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County's control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Montgomery County's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (11-01 and 11-02).

MEMBER  
•  
American  
Institute of  
Certified  
Public  
Accountants  
•  
Missouri  
Society of  
Certified  
Public  
Accountants  
•

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 11-01 and 11-02.

Montgomery County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Montgomery County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, others within the entity, and the Missouri State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC  
Certified Public Accountants

**MONTGOMERY COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**FINANCIAL STATEMENT FINDINGS**

**11-01 Budgetary Controls not in Compliance with State Law**

Condition: We noted the following issues with the county's budgeting process during our audit:

- A. The County Commission minutes did not record any approval of budget amendments for any county funds in December 2010. The 2011 budget document for several county funds had amended totals for 2010 but the County Clerk could not locate any budget amendments. We also noted upon discussion with the State Auditor's Office that any December 2010 budget amendments had not been filed with the office.
- B. The County Commission's 2011 budget for the Courthouse Annex Building Fund left a budgeted negative cash balance of \$4,900, while the 2010 budget for the Local Emergency Planning Commission Fund left a negative budgeted cash balance of \$66.
- C. The County Commission and other county officials did not exercise adequate budgetary control over various funds during the audit period. Expenditures were approved for payment that exceeded the approved budget for the following funds as shown below:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>
Emergency 911	2010	\$ 15,230
Emergency 911	2011	16,856
Post Commission	2011	20
Children's Trust	2011	4,008
Courthouse Annex Building	2010	24

Criteria: Section 50.622 RSMo, requires that the same procedures should be followed for amending the budget as were required for the adoption of the annual budget. Section 50.540 RSMo states the estimated ending fund balance cannot be a deficit balance.

Cause: County officials did not consider the importance of preparing proper amended budgets and other information on the budget documents and did not ensure that fund disbursements exceed the approved budgeted amounts.

Effect: The County Commission and the County Clerk did not follow state law and budgetary guidelines on the preparation of budget documents.

Recommendations:

- A. The County Commission and County Clerk should ensure amended budgets are prepared and formally approved and filed with the state as required by state law.
- B. The County Commission and County Clerk should ensure the budgets do not indicate a negative budgeted cash balance in any fund.
- C. The County Commission should not approve expenditures in excess of budgeted amounts. The County Commission should properly amend the budgets in a public meeting when unforeseen circumstances arise that necessitate increased expenditures in any fund.



**MONTGOMERY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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*Response:*

- A. *Montgomery County does consider the importance of preparing proper amended budgets and other information on the budget documents. The realization of the need to amend the 2010 and 2011 budgets was not recognized until it was too late to revise the budgets; therefore proper actions were not taken. The County Clerk shall be more observant to necessary budget amendments in the future and will assist the County Commission with documentary information to inform them of budget constraints. All budget amendments will be made in compliance with Missouri State Statutes.*
- B. *The County Commission and County Clerk shall to the best of their ability ensure budgets do not indicate negative cash balances.*
- C. *The County Commission shall to the best of their ability to not approve expenditures in excess of budgeted amounts. The County Commission shall receive reports and documents to indicate necessary budget amendments and shall follow appropriate amendments in compliance with Missouri State Statutes.*

**11-02 Accounting for Transfers**

Condition: The financial statements of the county as represented in the annual budget document do not present the proper amount of budgeted and actual transfers between the various county funds and, therefore, total transfers in do not agree with total transfers out for the year ended December 31, 2011 and 2010. Budgeted and actual amounts for transfers in each year are not properly reconciled to total budgeted and actual amounts transferred out. Several transfers were erroneously recorded within receipts or disbursements of the corresponding funds instead of as actual transfers. Reclassification entries within the General Revenue Fund for known transfers recorded as Other Revenues have been made to correct the county's financial statements as originally presented.

Criteria: Strong internal controls over financial statements require that transfers are properly reported and are in balance.

Cause: The County Commission and County Clerk did not report actual or budgeted transfers properly.

Effect: The transfers between funds are not in balance on the budget documents filed with the state.

Recommendation:

The County Commission and County Clerk should ensure both budgeted and actual transfers to and from other funds are in agreement and that other types of transactions that are not operating transfers are not presented in the "Transfers" account category.

**MONTGOMERY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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*Response:*

*As the conditions state, transfers were erroneously recorded with receipts or disbursements. All transfers recorded with receipts, disbursements, or transfers were made with a Commission Court Order approval. The County Commission minutes/records and the accounting files of the County Clerk and County Treasurer all hold supporting documentation to each transaction. The terminology of "transfers" used by auditor standards and on Commission Court Orders seems to be the issue. The County Clerk will evaluate the language and adjust the process of fund transfers to comply with auditing standards.*

**FOLLOW- UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**MONTGOMERY COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on the action taken by Montgomery County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

- 1) Auditors may continue to assist clients with the preparation of the financial statements as long as management designates an individual with suitable skill, knowledge or experience to review and approve the financial statements and related notes. Management must also accept responsibility for those financial statements and related notes.

*Status – Partially Implemented.* The Commission and County Clerk are reviewing their budgeting process.

- 2) Statement of Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

*Status – Partially Implemented.* The County is reviewing this recommendation.

- 3) Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

*Status – Partially Implemented.* The County is reviewing its policies and procedures currently in place.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Nineteenth Judicial Circuit Cole County Civil and Criminal Divisions



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September 2012  
Report No. 2012-111

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<http://auditor.mo.gov>

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# Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions

## Follow-Up Report on Audit Findings

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#### Status of Findings\*

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\*Includes selected findings



# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge and Court en banc  
and  
Circuit Clerk of the  
Nineteenth Judicial Circuit  
Cole County, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2012-30, *Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions*, issued in April 2012, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the court, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by court officials, and discussed the status of significant findings and any corrective action taken regarding our audit findings with relevant court officials. Documentation included a report from the Circuit Clerk on the status of recommendations, copies of new court financial procedures, receipt books, and copies of daily and monthly financial reports from May and June 2012. This report is a summary of the results of this follow-up work, which was substantially completed during July 2012.

Thomas A. Schweich  
State Auditor

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# Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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Circuit Clerk	Brenda A. Umstattd was Circuit Clerk of the Nineteenth Judicial Circuit during the audit period, January 1, 2009, through June 30, 2011. She resigned on April 18, 2012. A successor, Marilue E. Hemmel, was appointed as Circuit Clerk and sworn into office effective May 2, 2012. The current Circuit Clerk has taken steps to address the audit recommendations as discussed in the remainder of this report.
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1. Missing Funds	Between April 1, 2010, and June 30, 2011, Circuit Court Criminal Division receipts totaling at least \$14,669 were received but not deposited. In June 2011, court officials identified discrepancies in the criminal division's collection of some monies. The Circuit Clerk and Presiding Judge contacted the Office of State Courts Administrator (OSCA) and the Missouri State Highway Patrol (MSHP) to investigate possible missing monies. In July 2011, the Presiding Judge and Circuit Clerk also contacted the State Auditor's office, and the Presiding Judge requested an audit of circuit court criminal and civil division operations.
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Court personnel, the OSCA, and the MSHP reviewed transactions related to various cases and determined \$13,845 was received but not deposited. The State Auditor's office later determined an additional \$824 was received but not deposited. The court clerk and court clerk supervisor primarily responsible for the cases in which problems were identified were terminated on July 1 and July 5, 2011, respectively. The court clerk was reinstated effective September 16, 2011. In December 2011, both individuals were charged with one count each of felony stealing.

Recommendation	The Court En Banc and the Circuit Clerk continue to work with law enforcement officials regarding criminal prosecution related to the missing cash receipts, including restitution of the missing funds.
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Status	<p><b>Implemented</b></p> <p>Criminal charges are pending against the two court personnel and the Circuit Clerk is working with the Boone County Prosecuting Attorney related to prosecution. Two payments were made from the Circuit Clerk Interest Bank Account to reimburse the court's Justice Information System (JIS) bank account for missing funds identified by the Court Administrator and State Auditor's office. The former Circuit Clerk authorized a \$12,450 payment in September 2011 and the current Circuit Clerk authorized a \$2,144 payment in May 2012, from the interest bank account to the JIS account. Missing parking ticket receipts of \$75 were not reimbursed because the cause, persons responsible, and specific receipts could not be identified. In addition, a claim was filed with the Court's bonding company and \$11,900 was received in February 2012 as full and final settlement of the claim. The claim monies were deposited into the Circuit Clerk Interest Bank Account to reimburse a portion of payments previously made from this account to the JIS account.</p>
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Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions  
Follow-up Report on Prior Audit Findings  
Status of Findings

2. Accounting Controls  
and Procedures

Significant weaknesses were identified with accounting controls and procedures of the civil and criminal divisions of the circuit court. As a result, some court receipts were not accounted for properly.

2.1 Segregation of duties  
and supervisory review

The duties of receiving and recording receipts, preparing deposits, and disbursing funds were not adequately segregated and supervisory reviews were insufficient to detect errors. The two division supervisors recorded transactions, traced manual receipts to JIS entries, approved voids, reviewed daily JIS cashier session reports of the other clerks, and prepared deposits, in addition to collecting monies.

Recommendation

The Circuit Clerk segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Status

**Implemented**

The Circuit Clerk has implemented additional accounting controls and procedures to segregate duties and increase supervisory reviews. Clerk supervisors are responsible for reviewing daily cashier sessions and preparing deposits. Supervisors are no longer allowed to receipt monies. The Accounting Clerk and the Circuit Clerk review daily reports and the information prepared by the supervisors, including accounting for the numerical sequence of all JIS cashier sessions and reconciling deposits to cashier session reports. All reviews of May and June 2012 daily and monthly reports were documented.

2.2 Manual receipt slips

Manual receipt slips routinely issued by the criminal division prior to July 2011 were not recorded timely in the JIS or deposited timely, and reconciliations to the JIS were not reviewed. In July 2011, the former Circuit Clerk implemented procedures to limit the use of manual receipt slips.

Recommendation

The Circuit Clerk ensure manual receipts are recorded in the JIS and deposited timely, and are reviewed and reconciled to the JIS and deposits by someone independent of the receipting process.

Status

**Implemented**

Manual receipt slips are recorded in the JIS, deposited timely, and reviewed and reconciled to the JIS. Use of manual receipt slips is now limited to when the JIS is unavailable or during month-end procedures. A spreadsheet of all manual receipt slips issued is maintained by the Chief Deputy Clerk. Supervisors review manual receipts issued, account for the numerical sequence, and ensure all receipts have been recorded in the JIS. The Circuit Clerk reviews manual receipt slips monthly to ensure a JIS receipt number is on all manual receipt slips. We reviewed the manual receipt book for



Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions  
Follow-up Report on Prior Audit Findings  
Status of Findings

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2012 and noted all reviews were documented, and the number of receipt slips issued was less than during our audit period.

## 2.3 Composition

The composition (cash, checks, and money orders) of receipts recorded in the JIS was not reconciled to the composition of deposits.

## Recommendation

The Circuit Clerk reconcile the composition of recorded receipts to the composition of bank deposits and retain documentation of these reconciliations.

## Status

### **Implemented**

The composition of recorded receipts is reconciled to the composition of bank deposits by clerk supervisors and the review is documented on daily cashier reports. The Accounting Clerk also compares a JIS report of the composition of the recorded receipts to the deposit slips daily. The reconciliation of the composition of recorded receipts to deposits was documented for June 2012 daily cashier reports.

## 2.4 Non-monetary transactions

Non-monetary transactions, voids, and adjustments in the JIS were not properly documented or reviewed by division supervisors and the Circuit Clerk. All clerks were allowed to enter non-monetary transactions and voids in the JIS. Circuit Clerk procedures provided that non-monetary transactions, voids, and adjustments should have been supported by documentation, and reviewed and approved by a supervisor and the Circuit Clerk; however, documentation was not maintained for several non-monetary transactions, voids, and adjustments that occurred during our audit period.

## Recommendation

The Circuit Clerk follow procedures requiring non-monetary transactions, voids, and adjustments to be documented and reviewed and approved by a supervisor.

## Status

### **Implemented**

Clerks must include documentation supporting all non-monetary transactions, voids, and adjustments with daily cashier session reports. Transactions must be approved by the Accounting Clerk, Chief Deputy Clerk, and Circuit Clerk. Monthly reports of non-monetary transactions are reviewed by the Accounting Clerk and Circuit Clerk and included in monthly accounting folders. Reviews and approvals of non-monetary and void transactions were documented for June 2012 daily cashier and monthly non-monetary transaction reports.

## 2.5 Accrued costs

The Circuit Clerk did not review accrued case costs owed to the court (court costs, incarceration costs, court-ordered restitution, and fines) for accuracy.



Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions  
Follow-up Report on Prior Audit Findings  
Status of Findings

We noted several cases in which costs were included on the JIS list of accrued costs erroneously.

**Recommendation**

The Circuit Clerk maintain a complete and accurate list of accrued costs.

**Status**

**In Progress**

The Circuit Clerk indicated she and the Accounting Clerk are in the process of developing procedures to ensure the list of accrued costs is complete and accurate. The Circuit Clerk is implementing procedures to require supervisors to review accrued costs on all case types daily and provide documentation of the review to the Circuit Clerk. The Accounting Clerk and Circuit Clerk will also review accrued cost reports to ensure costs are assessed correctly on all case types. The Circuit Clerk is also planning a special project to review all accrued costs over 10 years old. The Circuit Clerk is planning to begin the project within the next 1 or 2 months.

**2.6 Bond liabilities**

Monthly lists of liabilities were not adequately reviewed to ensure bonds were disbursed in a timely manner. Court personnel indicated a monthly liabilities report was run from the JIS to perform end of month procedures and the report was supposed to be reviewed for any bonds that should have been disbursed; however, they could not determine the last time the monthly list of liabilities for the criminal division was reviewed prior to a review in September 2011.

**Recommendation**

The Circuit Clerk establish procedures to review the status of liabilities to determine the appropriate disposition of funds held on closed cases.

**Status**

**Implemented**

The Chief Deputy Clerk and Accounting Clerk review, at least monthly, the open items detail report for bonds with no cases associated, bonds with dispositions, and other open items with dispositions. Bonds listed with no case associated are researched to determine a case or are referred to the Prosecuting Attorney for follow-up. Bonds listed with case dispositions are disbursed or used to satisfy costs on the defendant's other cases when applicable. A review of all bonds with disposition dates on the June 2012 bond report was documented. Bonds were applied to other cases, refunded, related to cases with outstanding warrants, or held for another documented reason.

**2.7 Outstanding checks**

The Circuit Clerk had not developed adequate procedures to follow up on outstanding checks.



Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Recommendation**

The Circuit Clerk develop procedures to routinely follow-up on outstanding checks and reissue them if necessary or dispose of these monies in accordance with state law.

**Status**

**Implemented**

The Circuit Clerk and Chief Deputy Clerk reviewed all outstanding checks and made a transmittal to the State Treasurer to address old outstanding checks. In addition, the Accounting Clerk or Chief Deputy Clerk review the outstanding check report for stale checks monthly. Stale checks are reissued, if possible, or the unclaimed monies are turned over to the State Treasurer as unclaimed property. The Circuit Clerk indicated monies will be turned over to the State Treasurer every 6 months. There were no checks that had been outstanding over 6 months on the June 2012 outstanding check report.

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**3. Corrective Action**

The Circuit Clerk failed to implement recommendations made by the Court Administrator, OSCA, and Presiding Judge from numerous reviews since at least 2007. Those conducting reviews identified weaknesses in and recommended changes to civil and criminal division accounting controls and procedures. The Circuit Clerk rarely responded to those conducting the reviews and took little corrective action to implement the recommendations.

**Recommendation**

The Circuit Clerk establish procedures to implement recommendations timely.

**Status**

**Implemented**

The Circuit Clerk has taken steps to address and implement all of the State Auditor's recommendations. In addition, the Office of State Courts Administrator recognized that significant improvements have been made to internal controls in response to recommendations in their March 2012 audit.

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**5. Parking Ticket Procedures**

The Circuit Clerk did not have sufficient procedures to ensure all Missouri Capitol Police parking ticket receipts were recorded in the JIS and deposited. In addition, parking ticket receipts were not reconciled to the Capital Police parking ticket database.

**Recommendation**

The Circuit Clerk reconcile the parking ticket database to JIS parking ticket receipts.

**Status**

**Implemented**

The Circuit Clerk implemented new procedures to reconcile the parking ticket database to parking ticket receipts recorded in the JIS. The Circuit Clerk met with the Capitol Police in May and June 2012 to learn about parking ticket procedures. The Capitol Police provided the Court access to parking ticket reports which are used to reconcile the parking ticket database



Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions  
Follow-up Report on Prior Audit Findings  
Status of Findings

to the JIS records. The Capitol Police system also generates letters for individuals with multiple outstanding tickets. The letters are delivered to the court every 2 weeks to be mailed out. We reviewed copies of the parking ticket report and a template for the follow-up letter.

6. Inactive bank accounts The Circuit Clerk had two inactive bank accounts established, approximately 20 years ago, to hold funds for a state agency case and a case involving a private company. There was no activity on the accounts and no attempt was made to identify or properly dispose of the monies in these accounts.

Recommendation

The Court En Banc and the Circuit Clerk attempt to identify and distribute the funds held in old inactive bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.

Status

**Implemented**

The parties for the cases related to the inactive bank accounts have been identified. The Circuit Clerk is working with the Presiding Judge to distribute the monies. The Presiding Judge contacted the attorneys for all parties involved and held hearings during August 2012, so funds may be distributed and the accounts closed. The Presiding Judge found the funds could be disbursed and the Circuit Clerk indicated she will disburse the monies as soon as the final order is approved and signed by the Judge.



# Thomas A. Schweich

Missouri State Auditor

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## Linn County



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September 2012  
Report No. 2012-110

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of Linn County

Property Tax System	The County Collector-Treasurer and her deputy have administrative access rights in the property tax system, which allows them to alter or delete tax rates, assessed values, and property tax billings. This creates a significant control weakness, as the County Collector-Treasurer is also responsible for collecting tax monies. Users of the property tax system all use the same user identification and password, and the system does not require that the password be changed periodically. In addition, numerous receipting errors were made, requiring over 500 monetary transaction voids totaling over \$230,000 in the two years ended February 29, 2012, and such voids are not adequately reviewed or monitored by the County Collector-Treasurer.
Timesheets	The Sheriff does not sign Sheriff's department timesheets, and the Child Support Division employee's timesheets are not signed by a supervisor. County employees estimate the number of hours to be worked during the end of the pay period, which are not later compared to actual hours worked.
Fuel Use	As noted in our prior audit report, procedures to monitor fuel use in the Road and Bridge department and Sheriff department are not adequate. The Road and Bridge department does not maintain a fuel log for the bulk fuel tank, record mileage when fueling vehicles, or retain and reconcile fuel card purchase receipts to fuel use. The Sheriff's department maintains mileage and fuel logs, but these logs are not reconciled to fuel purchases, and mileage is not reviewed for reasonableness.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

Linn County received the following Federal Stimulus funds during the audit period:

A \$2,224 Title V, Section 5001 under Division B of the Recovery Act grant, \$400 of which was spent to build a carport for the green house operations. The Senate Bill 40 Board plans to spend the remaining \$1,824 for improvements to the green house operations.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Linn County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Linn County

We have audited certain operations of Linn County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp, & Van Hoy LLC, Certified Public Accountants, was engaged to audit the financial statements of Linn County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Linn County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Deborah Whitis, MBA, CPA, CIA
Audit Staff:	Richard Mosha, MBA
	Robert Graham

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# Linn County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Property Tax System**

Controls and procedures over the property tax system need improvement. The County Collector-Treasurer's office processed collections totaling approximately \$8.9 million for the year ended February 29, 2012, and \$8.3 million for the year ended February 28, 2011.

##### **1.1 Computer access**

Access to the property tax system is not adequately restricted. The County Collector-Treasurer and her deputy have administrative access rights in the property tax system, which provides them with unlimited access to all information in the system and allows them the ability to make changes to individual tax records. Because the County Collector-Treasurer is responsible for collecting tax monies, the ability to alter or delete tax rates, assessed values, and property tax billings represents a significant control weakness. The County Commission was not aware the County Collector-Treasurer had full access to the system until we brought this to the county's attention in May 2012.

Properly limiting access to the property tax system will help prevent unauthorized changes to property tax records. Access should be limited based on user needs.

##### **1.2 User identifications and passwords**

Separate user identifications and passwords are not required to log onto the property tax system. The County Collector-Treasurer's office has three computers which utilize the same user identification and password to log in. Additionally, the password is not changed on a periodic basis. The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system.

To control access, a unique user identification and password should be assigned to each user of a system. These passwords should be kept confidential and changed periodically.

##### **1.3 Receipting procedures**

Numerous receipting errors were made requiring a significant number of monetary transaction voids throughout the year. Our review identified 219 voids totaling \$92,688 for the year ended February 29, 2012, and 308 voids totaling \$142,545 for the year ended February 28, 2011. Because such voids are a common occurrence and are numerous, they are not adequately reviewed or monitored by the County Collector-Treasurer. After identifying errors and requiring corrections to be made in the property tax system, the County Collector-Treasurer does not always perform a subsequent review to ensure actual changes made were proper.

Failure to perform subsequent reviews of voided transactions increases the risk that loss or misuse of monies received will go undetected.



Linn County  
Management Advisory Report - State Auditor's Findings

## Recommendations

- 1.1 The County Commission limit the County Collector-Treasurer and her staff's access to the property tax system through the use of access controls.
- 1.2 The County Collector-Treasurer require unique user identifications and passwords for all employees who have access to the property tax system, and require passwords be kept confidential and changed periodically.
- 1.3 The County Collector-Treasurer establish procedures to ensure receipts are properly recorded in the property tax system upon receipt and ensure monetary transaction voids are adequately reviewed.

## Auditee's Response

*The County Commission provided the following written response:*

- 1.1 *The county was unaware of the controls set for the property tax system by the software company. The software company has been contacted to comply with recommendations.*

*The County Collector-Treasurer provided the following written responses:*

- 1.2 *I will try to implement using different passwords for each employee this coming tax year. We will try and log into a computer and use that computer as much as we can without having to change while doing tax receipts. In November and December it is going to be hard to do, but we will try. When we are really busy it would be very time consuming to log on and off to different computers to wait on customers with the internet service we have. In the months we are not that busy we only have one computer and one cash drawer open for collections. The other computers are for look up and reports. In the summer months it is not feasible to have both computers open for collections and have more than one batch open and have to close them both and balance out. I do understand why you are asking this, and we will try. The system is set up now to change passwords every 90 days. When the 90 days is up, the computer will tell us that we need to have a new password to log on.*
- 1.3 *We will be more attentive to making sure that the check/money order amount is for the tax amount due before entering it into the computer. I have already started reviewing voids, making sure there is a written explanation for it. I initial that I have reviewed it and the papers are kept with the daily work.*



Linn County  
Management Advisory Report - State Auditor's Findings

## 2. Timesheets

Timesheets do not always indicate supervisory approval and some timesheets include estimated hours. The county incurred payroll costs of approximately \$1.5 million during the 2 years ended December 31, 2011.

Timesheets submitted by the Sheriff's department are not signed by the Sheriff. Instead, the timesheets are reviewed and stamped with the Sheriff's signature by the Sheriff's administrative assistant. Our review also identified the timesheets submitted by the Child Support Division employee are not signed by the supervisor.

County employees estimate hours to be worked during the last few days of the pay period on timesheets, and there is no subsequent comparison performed between actual hours worked and reported estimated hours. The county pay period ends on the last day of every month; however, the county policy is to have each department submit employee timesheets to the County Clerk's office by the 28th of the month so that payroll can be processed and paid by the last working day of the month. The County Clerk indicated she relies on the elected officials to inform her when hours actually worked do not match estimated hours.

Paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of overtime and accumulated leave balances, and the potential for employees to be over/under paid. In addition, detailed timesheets signed by the employee and approved by a supervisor are necessary to document hours actually worked and provide information needed to monitor overtime, leave, and compensatory time; and are beneficial in demonstrating compliance with county policies.

## Recommendation

The County Commission require timesheets be signed by the employee and approved by the employee's supervisor. In addition, the County Commission should develop payroll procedures which require all county employees to be paid based on actual hours worked.

## Auditee's Response

*The County Commission provided the following written response:*

*Timesheets will be signed by officials. The pay period for employees on timesheets will be checked into with the software company. If the monthly time period can be changed to the 28th, we will comply. If the time period cannot be changed the elected official will again sign off, initial or somehow document the timesheet and notate compliance that all hours were accounted for by their employees.*



Linn County  
Management Advisory Report - State Auditor's Findings

### 3. Fuel Use

As similarly noted in our prior audit report, procedures to monitor fuel use in the Road and Bridge department and Sheriff's department are not adequate. Accounting records indicate the county incurred road and bridge fuel costs of \$30,557 and Sheriff's department fuel costs of \$58,574 during the 2 years ended December 31, 2011.

#### 3.1 Road and Bridge

The county has not established effective monitoring procedures regarding fuel use for the Road and Bridge department. Gasoline and diesel fuel purchases for the county's Road and Bridge vehicles are made by using fuel cards on an account with a local company. The department also purchases diesel fuel to dispense from a portable 100-gallon bulk tank. A fuel log is not maintained for the bulk fuel tank, mileage is not recorded when fueling pickups and trucks, fuel card receipts are not retained, and fuel use is not reviewed or reconciled to fuel purchases. As a result, theft and misuse of fuel could go undetected.

Maintenance and review of vehicle and equipment mileage logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to prevent paying vendors for improper billing amounts and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment fuel costs.

#### 3.2 Sheriff

Procedures to monitor fuel use for the Sheriff's department need improvement. Although mileage and fuel logs are maintained by the Sheriff's department, procedures are not in place to reconcile those logs with fuel purchases, and mileage is not reviewed for reasonableness to effectively monitor vehicle and fuel use. In addition, fuel card receipts are not retained when fueling.

Comparison of mileage and fuel use to fuel purchases is necessary to support fuel charges and to document the appropriate use of vehicles.

### Recommendations

- 3.1 The County Commission require logs for all vehicles, equipment, and bulk fuel inventory. These logs should be reviewed and reconciled to fuel purchases, and any significant discrepancies investigated. In addition, fuel card receipts should be submitted and the County Clerk should reconcile supporting documentation to fuel card statements before payment.
- 3.2 The Sheriff establish procedures to reconcile vehicle mileage and fuel use to fuel purchases for all county-owned vehicles in the Sheriff's department and investigate any significant discrepancies. In addition, fuel card receipts should be submitted and reconciled to fuel card statements prior to authorizing payment.



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Linn County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The County Commission provided the following written response:*

- 3.1 *Commissioners will make improvements in fuel tracking procedures. The bulk fuel tank is only used to fill equipment on the job, however, efforts will be made to log and document fuel purchased by providing tickets from the pumps and comparing to fuel statements.*

*The Sheriff provided the following written response:*

- 3.2 *I will record my fuel log checks on the fuel log to help reconcile vehicle mileage and fuel usage. Fuel receipts will not become part of my logging procedures. Too many times the pump will not print receipts and will cause further problems. My fuel logs contain more information than the receipts.*



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# Linn County

## Organization and Statistical Information

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Linn County is a township-organized, third-class county. The county seat is Linneus.

Linn County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 36 full-time employees and 12 part-time employees on December 31, 2011. The townships maintain county roads.

In addition, county operations include a Senior Citizens' Services Board and a Senate Bill 40 Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Dick King, Presiding Commissioner	\$	25,964
Randy Wade, Associate Commissioner		23,964
Jim Libby, Associate Commissioner		23,964
Loretta Brookshier, Recorder of Deeds		36,309
Peggy Ward, County Clerk		36,309
Tracy L. Carlson, Prosecuting Attorney		43,067
Tom Parks, Sheriff		40,201
Kenny F. Creason, County Coroner		10,502
Kay Cunningham, Public Administrator		23,888
Pamela S. Reed, County Collector-Treasurer, year ended March 31,	37,232	
Marlene Graves, County Assessor , year ended August 31,		36,309



Linn County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011:

The Linn County Senate Bill 40 Board received \$2,224 under Title V, Section 5001 under Division B of the Recovery Act which provided additional federal funding in the Medicaid Federal Medical Assistance Percentage. The grant was awarded by the U.S. Department of Health and Human Services and passed through the Missouri Department of Social Services. The payments were made for Medicaid expenditures reported between October 1, 2009, and June 30, 2011. For the years ended December 31, 2011 and 2010, the Senate Bill 40 Board received \$2,224 and spent \$400 to build a carport for the green house operations. The Senate Bill 40 Board plans to spend the remaining \$1,824 for improvements to the green house operations.



# Thomas A. Schweich

Missouri State Auditor

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## Lawrence County



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September 2012  
Report No. 2012-109

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of Lawrence County

County Collector Controls and Procedures	The County Collector's annual settlements were inaccurate, and on the annual settlement for the year ended February 29, 2012, tax book charges were understated by \$2.7 million compared to amounts reported in the property tax system. The County Collector did not properly calculate commissions, resulting in \$36,252 owed to schools from the General Revenue and Assessment Funds. The County Collector did not prepare a list of liabilities for the property tax collection bank account and reconcile it to the available cash balance, and there was an unexplained difference of \$25,266. Receipt slips are not issued for partial payments, and partial payment ledgers are not accurate and complete. The County Collector did not distribute interest earned timely and used incorrect ratios when calculating surtax distribution amounts.
Property Tax System Controls and Procedures	Neither the County Commission nor the County Clerk adequately reviewed or verified the amounts on the County Collector's annual settlements, and the County Clerk does not prepare the current or back tax books or verify the accuracy of the tax books. The County Assessor enters additions and abatements into the property tax system and also has the ability to change tax rates, and no one compares approved changes to actual changes made to the property tax system. Similar findings were contained in the prior report.
Prosecuting Attorney Controls and Procedures	The Prosecuting Attorney's utilizes four separate receipting systems (two electronic and two manual) to track bad check restitution and fees and court ordered restitution, and none of the receipting systems contained a complete record of all monies received and processed. Monies received are not always posted to the computerized accounting systems or deposited timely, receipt dates are not always entered accurately and in sequential order, and amounts recorded on manual receipt slips cannot be reconciled to the computerized accounting systems and amounts deposited and transmitted. The bad check clerk receives, records, transmits, and deposits monies, and has the ability and authority to post adjustments to the computer system and grant payment extensions to defendants without independent approval, which increases the risk of errors, irregularities, or misuse occurring without detection.
Financing, Fuel Use, and Sheriff Revolving Fund	Certificates of Participation (COPS) totaling \$4,945,000 were sold in March 2010 in a negotiated sale instead of a competitive sale, and the County Commission did not competitively select the COPS underwriter or legal counsel. Though not required, competitive sales and competitive selections may result in lower costs for the county. The county lacks adequate controls and procedures over road and bridge department fuel use and purchases. Common Road District No. 1's bulk tank fuel use logs are not reconciled to fuel purchases, and Common Road District No. 2 does not maintain fuel use logs. The county did not establish a Sheriff Revolving Fund for concealed weapon permit fees.
Payroll Controls and Procedures	The county is paying more overtime to Sheriff's office employees than is required by law or its policy. Timesheets and leave records are not prepared for some employees, and on the 26th of each month full-time employees receive pay through the end of the month, in advance of services performed. The county's personnel policy does not address the use of unearned leave and some employees were allowed to incur negative sick leave and compensatory time balances.

Jail Operations	Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services, and the county houses prisoners for other cities and counties without entering written agreements with these cities and counties. As of March 2012, Jasper County owed the county over \$15,000, and various other cities owed the county a total of \$3,360. Jail receipt slips were not accounted for properly, which increases the risk that loss or misuse of monies will go undetected.
County Commission Meeting Minutes	The county did not maintain minutes of closed meetings, as required by the Sunshine Law.
Recorder of Deeds	The Recorder of Deeds bank account contained a \$1,448 overage. In the prior audit report, auditors identified a \$1,409 overage, and the Recorder of Deeds did not investigate this difference or dispose of the unidentified funds.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	<p>Lawrence County received the following Federal Stimulus funds during the audit period:</p> <p>A \$119,437 Homelessness Prevention and Rapid Re-housing Program grant, all of which was spent on this program providing homelessness prevention assistance and rapid re-housing assistance.</p> <p>A \$20,159 Title V, Section 5001 of the Recovery Act grant for Medicaid expenditures.</p> <p>\$1,267 in Child Care and Development Block Grant monies, all of which was spent on this program for educational materials.</p> <p>\$537 in Immunization and Vaccines for Children Grant monies, all of which was spent on this program.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Lawrence County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Lawrence County

We have audited certain operations of Lawrence County in fulfillment of our duties under Section 29.230, RSMo. In addition, Cook and Hamlin, LLC, Certified Public Accountants, was engaged to audit the financial statements of Lawrence County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Lawrence County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Natalie McNish, CGAP
Audit Staff:	David Olson
	Connie James
	Joshua Allen, CPA, CFE



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# Lawrence County Management Advisory Report State Auditor's Findings

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## **1. County Collector Controls and Procedures**

The County Collector did not prepare complete and accurate annual settlements and did not properly calculate commissions, resulting in \$36,252 owed to schools from the county General Revenue and Assessment Funds. Improvement is needed in the controls and procedures over liabilities and partial payments, and interest income is not distributed timely. For the 2 years ended February 29, 2012, property taxes charged to the County Collector totaled approximately \$22 million annually.

### **1.1 Annual settlements**

During our review of the County Collector's annual settlement for the year ended February 29, 2012, we identified numerous errors. In addition, collections reported on the annual settlement for the year ended February 28, 2011, were understated. The employee that prepared the settlement lacked an adequate understanding of the annual settlement report requirements and did not properly compile information from various supporting records. In addition, the County Collector did not perform an adequate review of the settlement for accuracy prior to signing and forwarding to the County Commission for review and approval. The following errors were identified on the County Collector's annual settlement for the year ended February 29, 2012:

- Tax book charges on the annual settlement were understated by approximately \$2.7 million compared to amounts reported in the property tax system.
- Collections were understated by approximately \$882,000. Current tax collections were understated by nearly \$909,000, and delinquent tax collections, including interest and penalties collected were understated by approximately \$203,000. Private car tax collections of \$51,248 and interest on investments of \$7,759 were not included on the annual settlement. Payment in lieu of tax (PILT) collections of \$7,424 were reported as abatements on the annual settlement instead of collections. In addition, the County Collector included other collections of approximately \$297,000 without documenting the source of the collections, and understated merchants licenses by \$721.
- The amount reported on the annual settlement for delinquent tax credits (real estate and personal) did not agree to the delinquent tax books, and the annual settlement was understated by approximately \$1.4 million.
- The amount reported on the annual settlement for abatements was understated by approximately \$259,000.
- Protested taxes of approximately \$185,000 were not accurately reported on the annual settlement.



## Lawrence County Management Advisory Report - State Auditor's Findings

- Distributions reported on the annual settlement did not include interest earned on investments.

By not accurately reporting all activity on the annual settlement, there is less assurance collections have been handled and accounted for properly. Section 139.450, RSMo, states the collector shall include in the collector's annual settlement the whole amount of taxes collected.

### 1.2 Commissions

The County Collector did not review ratios calculated and entered into the property tax system for Proposition C commissions during the year ended February 29, 2012. As a result, a total of \$31,734, \$2,992, and \$1,526 was over withheld from the Aurora R-VIII, Verona R-VII, and Marionville R-IX school districts, respectively, and paid to the county General Revenue Fund (\$18,126) and Assessment Fund (\$18,126). Minor errors in Proposition C commission calculations were also noted during the year ended February 28, 2011. The County Collector was unaware of these errors until we brought them to his attention.

To ensure commissions are properly computed and paid to the General Revenue and Assessment Funds, the County Collector should review the computation of commissions.

### 1.3 Liabilities

A list of liabilities was not prepared for the property tax collection bank account and reconciled to the available cash balance. We prepared a list of known liabilities for the property tax collection bank account, which totaled \$483,371, while the available cash balance was \$508,637, resulting in a difference of \$25,266. Regular comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance and sufficient funds are available for the payments of all amounts due. Also, such reconciliations would allow for prompt detection and correction of errors.

### 1.4 Partial payments

Receipt slips are not issued for partial payments received and partial payment ledgers maintained for each tax payer by the County Collector are not accurate and complete. In addition, a reconciliation between the partial payment ledgers and the partial payment bank account balance has not been performed and partial payments totaling over \$3,700 are held for parcels with no related tax liabilities. As of March 31, 2012, the partial payment ledgers totaled \$12,660, while the cash balance of the partial payment bank account was \$13,463, resulting in a difference of \$803. Reconciliation is more difficult because final payments of taxes due are not recorded in the partial payment ledger. Partial payments are held in escrow until the tax bill is fully paid, whereupon the County Collector records the taxes as paid in the computerized tax system.

Issuing receipt slips and recording all partial payment activity on the ledger is necessary to ensure funds held in escrow are accounted for properly. A



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properly maintained partial payment account ledger is crucial in the process of identifying liabilities of the County Collector. Procedures should be adopted to routinely follow up on old partial payments and refund as appropriate.

## 1.5 Distribution of interest

The County Collector did not distribute the interest earned from bank deposits on a timely basis. Interest earned during the 2 years ended December 31, 2009, totaling \$52,206, was not distributed until June 2010. Interest earned during the year ended December 31, 2010, totaling \$19,023, was not distributed until October 2011, and interest earned during the year ended December 31, 2011, totaling \$12,705, had not been distributed as of April 2012. Interest income earned on property tax monies collected for other political subdivisions belongs to those entities and should be distributed timely.

A similar condition was noted in our prior audit report.

## 1.6 Distribution of surtax

While the County Collector calculated new ratios to be used in the distribution of surtaxes collected during the year ended February 29, 2012, the County Collector failed to enter the new ratios into the property tax system. As a result, over/under payments were made to 41 various political subdivisions in Lawrence County during the year ended February 29, 2012. Distribution errors ranged from an overpayment of \$778 to an underpayment of \$1,409. Proper updating of surtax ratios in the property tax system is necessary to ensure compliance with applicable state statutes.

## Recommendations

The County Collector:

- 1.1 File complete and accurate annual settlements.
- 1.2 Recalculate current and delinquent tax commissions and correct distributions from the General Revenue Fund and Assessment Fund to the various political subdivisions. The County Collector should also ensure future commission calculations are accurate.
- 1.3 Prepare and reconcile a list of liabilities to bank balances monthly. Any differences should be investigated and resolved.
- 1.4 Ensure all partial payments activity is properly recorded on the partial payment ledger and the ledger is reconciled to the bank balance periodically. The County Collector should establish procedures to routinely investigate partial payments held for long periods of time, attempt to locate the payees of the partial payments where no tax liability remains due, and refund if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.



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- 1.5 Distribute interest income in a timely manner.
- 1.6 Recalculate and correct surtax distributions for the year ended February 29, 2012, and ensure future surtax calculations are accurate.

## Auditee's Response

*The County Collector provided the following written responses:*

- 1.1 *I revised the annual settlement for the year ended February 29, 2012, and sent an approved copy to the State Auditor's Office on April 11, 2012.*
- 1.2 *I am working to ensure proper distribution.*
- 1.3 *I will prepare and reconcile a list of liabilities on a semi-annual basis. I already reconcile the bank statement to the checkbook register balance on a monthly basis. I will continue to work on resolving the overage in the account.*
- 1.4 *I am working to resolve the overage in the account. I will ensure all partial payment activity is recorded on the partial payment ledger. I will review the partial payment ledger on a semi-annual basis to identify and refund payments held for long periods of time or against property with no tax liability. I already reconcile the bank statement to the checkbook register balance on a monthly basis.*
- 1.5 *Interest earned during the years ended December 31, 2011, was distributed in May 2012.*
- 1.6 *We recalculated and corrected these surtax distributions on May 3, 2012.*

## 2. Property Tax System Controls and Procedures

As similarly noted in our prior audit reports, controls and procedures over the property tax system need improvement. As a result of the significant control weaknesses identified, there is less assurance property tax monies have been accounted for properly.

### 2.1 Review of annual settlements

Neither the County Commission nor the County Clerk adequately reviewed or verified the amounts on the annual settlements prepared by the County Collector. As a result, incorrect amounts recorded on the settlements prepared by the County Collector went undetected (see MAR finding number 1). In addition, the County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes.



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Management Advisory Report - State Auditor's Findings

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Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records could be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements.

## 2.2 Tax books

The County Clerk does not prepare the current or back tax books or verify the accuracy of the tax books, and the County Collector has the ability to change tax rates in the property tax system. The County Clerk enters the tax rates in the property tax system using the County Collector's password, which allows the County Collector access to change the tax rates. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the property tax system and that disputes or questions might arise. Also, no procedures were performed by the County Clerk to verify the accuracy of the tax books. Failure to prepare and review the tax books and test individual tax statement computations may result in errors, irregularities, or misuse going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

## 2.3 Additions and abatements

While the County Commission and County Clerk review and approve court orders for additions and abatements monthly, a subsequent comparison of approved additions and abatements to actual changes made by the County Assessor in the property tax system is not performed. Additionally, the County Assessor has access to make changes to the property tax system after the Board of Equalization has met and approved the property taxes for the year. As a result, there is an increased risk that unsupported or unauthorized changes can be made to the property tax system and that disputes or questions regarding the propriety of property taxes might arise. We compared approved additions and abatements to amounts recorded in the property tax system for the year ended February 29, 2012, and determined differences totaling \$8,432 and \$2,972 for additions and abatements, respectively. A review of supporting documents showed explanations for some differences (i.e., type of adjustment was recorded incorrectly on the court order) while other system changes did not match court orders and a reason could not be determined. Had a comparison been performed between approved addition and abatement amounts and additions and abatements recorded in the property tax system, these errors could have been detected and resolved.



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Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders, along with a comparison of approved additions and abatements to actual changes made to the property tax system, would help ensure changes are proper.

## Recommendations

- 2.1 The County Clerk maintain an account book with the County Collector, and the County Clerk and County Commission use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.
- 2.2 The County Clerk should verify the totals of the current and back tax books for accuracy and document the procedures performed. The County Clerk and County Commission should restrict access to the property tax system.
- 2.3 The County Clerk and the County Commission ensure a comparison of approved additions and abatements to actual changes made to the property tax system is performed.

## Auditee's Response

*The County Clerk and County Commission provided the following written responses:*

- 2.1 *We will endeavor to improve our monitoring procedures, including the implementation of an account book.*
- 2.2 *This recommendation will be implemented.*
- 2.3 *This recommendation will be implemented. We will keep copies of additions and abatements and will verify these changes with the property tax system.*

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## 3. Prosecuting Attorney Controls and Procedures

Improvement is needed over various accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collected bad check fees totaling approximately \$23,000 and \$35,000 during the years ended December 31, 2011 and 2010, respectively. Amounts collected for bad check and court ordered restitution could not be readily determined.

### 3.1 Receipting, posting, and depositing monies

Procedures for receipting, posting, and depositing monies need improvement. The Prosecuting Attorney's office utilizes four separate receipting systems (two electronic and two manual) to track bad check restitution and fees, and court ordered restitution.



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- Each receipting system tracks different information and none of the receipting systems contain a complete record of all monies received and processed. For example, a defendant's payment amount was recorded as \$148 in two of the receipting systems, \$82 in another system, and \$60 in yet another system.
- Receipts are not always posted to the computerized accounting systems timely. For example, a manual receipt was issued to a defendant for restitution and fees paid on September 16, 2011; however, this receipt was not posted to one electronic system until September 21 and to the other electronic system until September 22.
- One of the electronic accounting systems allows the user to enter the date of the receipt into the system, and the receipt dates entered into the system are not always accurate and in sequential order. For example, receipt dates recorded for receipt numbers 720, 721, 722, and 723 were September 2, August 24, September 1, and September 8, 2011, respectively.
- Due to the various problems noted above, amounts recorded on manual receipt slips cannot be reconciled to the computerized accounting systems and amounts deposited and transmitted.
- Monies received are not always deposited timely. For example, receipts totaling \$1,662 collected between November 14 and November 30, 2011, were not deposited until December 2, 2011.

Failure to implement adequate receipting, posting, and depositing procedures, including comparing receipt records to deposits, increases the risk that loss or misuse of monies received and errors will go undetected. In addition, the use of multiple receipting systems is cumbersome and reduces the assurance that all monies received are accurately recorded and accounted for properly.

A similar condition was noted in our prior audit report.

### 3.2 Adjustments and extensions

There is no independent approval to support adjustments posted to the accounting systems or payment extensions granted to defendants by the bad check clerk, and adequate documentation of such adjustments and extensions was not retained. The bad check clerk, who also receives, records, transmits, and deposits monies, has the ability and authority to post adjustments to the computer systems. Adjustments totaling \$76,239 were made to one of the electronic systems during the 2 years ended December 31, 2011. Adjustments totaling \$22,725 were made to the other electronic system during 2011, and no adjustments were made during 2010. Given the clerk's various duties, the ability to make adjustments to the system and modify payment arrangements without sufficient oversight and approvals



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increases the risk of errors, irregularities, or misuse occurring without detection.

To ensure all adjustments and payment extensions are valid, someone independent of receipting and recording functions should review and approve all adjustments and payment extensions, and proper supporting documentation should be maintained for such adjustments.

## Recommendations

The Prosecuting Attorney:

- 3.1 Ensure a complete record of all monies received is maintained and monies are recorded promptly in the electronic accounting systems. In addition, the Prosecuting Attorney should ensure monies are deposited timely, and comparisons of receipt slips to the computerized accounting system and deposits and transmittals are performed.
- 3.2 Require someone independent of the accounting system to review and approve all adjustments and payment extensions and ensure adequate documentation is retained to support such adjustments and payment extensions.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 3.1 *As of July 10, 2012, my office consolidated the entire bad check system to one electronic accounting system. This allows a complete record of all monies received to be promptly recorded. Deposits are made more timely and a comparison of the accounting system to deposits/transmittals is being performed.*
- 3.2 *I now approve all payment extensions and independently review and approve all adjustments monthly. I will ensure adequate documentation is retained.*

## 4. Financing, Fuel Use, and Sheriff Revolving Fund

Weaknesses were noted in controls and procedures over financing and fuel use, and the Sheriff Revolving Fund was not established as required by state law.

### 4.1 Financing

Certificates of Participation (COPS) totaling \$4,945,000 were sold in March 2010 through a negotiated instead of a competitive sale. The COPS were issued to refinance COPS originally issued in 2007 for the construction of the justice center. The County Commission used an underwriter and legal counsel it was familiar with and relied upon the advice of the underwriter and legal counsel instead of seeking open bids assuring the most





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competitive rate of return for the taxpayers. In addition, the County Commission did not select the COPS underwriter or legal counsel competitively. The underwriter and legal counsel were paid \$85,800 and \$6,000, respectively.

COPS are a method of financing a capital project whereby a financial institution sells interests in the capital project, leases the project to a local government, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a minimal amount the capital project it has been leasing. COPS are not required to be approved by county voters.

While Missouri law does not require competitive sales of this type of financing instrument or competition in selecting underwriters and legal counsel, competitive sales may result in lower interest costs for the county, and competition in selecting underwriters and legal counsel is important to ensure services are obtained from the best qualified providers at a fair price.

#### 4.2 Fuel use and purchases

Controls and procedures over fuel use and purchases need improvement. According to accounting records, the county purchased approximately \$100,000 of fuel for the road and bridge department during the 2 years ended December 31, 2011.

- Bulk tank fuel use logs maintained by Common Road District No. 1 are not reconciled to fuel purchases. These logs show vehicles and gallons pumped, but no mileage or hour information is recorded. As a result, the county cannot adequately monitor use of fuel or vehicles.
- Common Road District No. 2 has no records to ensure fuel purchases for its road and bridge equipment and vehicles are used appropriately. Fuel use logs are not maintained for district equipment and vehicles or the bulk fuel tank, and as a result, fuel use is not reconciled to fuel purchases.

Procedures for reviewing fuel use and reconciling use to fuel purchased are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Also, mileage and fuel use logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. Failure to account for fuel purchases could result in theft and misuse of fuel going undetected.

A similar condition was noted in our prior audit report.

#### 4.3 Sheriff Revolving Fund

The Sheriff Revolving Fund was not established as required by state law, and the fees collected for processing concealed weapon permit applications or renewals were transmitted to the Sheriff's Special Fund, which is held by



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Management Advisory Report - State Auditor's Findings

the County Treasurer. By not separately tracking concealed weapon permit fees collected and spent, the county cannot determine at a point in time what portion of the Sheriff's Special Fund represents restricted concealed weapon monies or demonstrate compliance with statutorily allowed uses. The Sheriff collected approximately \$43,530 for concealed weapon permit applications during the 2 years ended December 31, 2011. Section 571.101, RSMo, authorizes the Sheriff to charge non-refundable fees for processing a first time application and a renewal for a concealed weapon permit which shall be paid to the county treasury to the credit of the Sheriff Revolving Fund.

## Recommendations

The County Commission:

- 4.1 Pursue fair and open competition in any future financing option sales, and select the underwriter and legal counsel competitively.
- 4.2 Require fuel use logs be maintained for all county-owned vehicles and equipment, and ensure logs are reviewed for accuracy and reconciled to fuel purchases. Any significant discrepancies should be investigated.
- 4.3 And the County Treasurer establish the Sheriff Revolving Fund as required by state law.

## Auditee's Response

*The County Commission provided the following written responses:*

- 4.1 *We will use competitive sales and selection processes in future financing option sales.*
- 4.2&  
4.3 *We will comply.*

*The County Treasurer provided the following written response:*

- 4.3 *The Sheriff Revolving Fund will be established at the beginning of the new fiscal year, January 1, 2013.*

## 5. Payroll Controls and Procedures

Controls and procedures over payroll disbursements need improvement.

### 5.1 Personnel policies

The county does not compensate some Sheriff's office employees for overtime in compliance with its overtime policy and Fair Labor Standards Act of 1938 (FLSA) requirements. Nonworking time (vacation, sick leave, compensatory time taken, and holidays) is included in total hours worked when determining the amount of overtime earned by employees, which is disallowed by the county personnel policy and not required by the FLSA.



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The county is paying more overtime to employees than required as a result of using nonworking time in its calculations of overtime earned.

## 5.2 Timesheets, leave records, and full-time employees

Timesheets and leave records are not prepared for some employees, and full-time employees are paid in advance of time worked. Timesheets and leave records are not prepared and submitted to the County Clerk for two assistant prosecuting attorneys. As a result, the County Clerk's office does not have sufficient records to ensure the validity of payroll disbursements totaling approximately \$118,000 in 2011 and \$132,000 in 2010, and there is no documentation to support or justify paid time off taken by these employees. Additionally, the County Clerk's office prepares and distributes payroll for full-time employees on the 26th of each month for the period ending the last day of the month. As a result, full-time employees are paid in advance for their services. In addition, there is no comparison of actual time worked to time previously reported. Paying county employees in advance of hours actually worked may lead to errors and the potential for employees to be over/under paid.

To ensure the legitimacy of payroll disbursements and demonstrate compliance with the FLSA, the County Commission should require adequate documentation to support all payroll transactions.

A similar condition was noted in our prior audit report.

## 5.3 Leave balances

The county's personnel policy does not address the use of unearned leave and some county employees used sick leave and compensatory time in excess of their balances, resulting in negative leave balances. For example, during our review of leave records and timesheets of six county employees, we noted two Sheriff's office employees had negative balances at various times during the year ended December 31, 2011. To ensure the equitable treatment of employees, the personnel policy should be updated to address the use of unearned leave.

## Recommendations

The County Commission:

- 5.1 And the Sheriff ensure compliance with county overtime policy and FLSA.
- 5.2 Require the assistant prosecuting attorneys to submit timesheets and leave records to the County Clerk's office. Additionally, the County Commission should discontinue compensating full-time employees in advance of receiving services.
- 5.3 Revise the county personnel policy to address the use of unearned leave and discontinue the practice of allowing negative leave balances.



Lawrence County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The County Commission provided the following written responses:*

- 5.1 *We will work with the Sheriff to resolve this issue.*
- 5.2 *We will review and try to remedy.*
- 5.3 *We will comply.*

*The Sheriff provided the following written response:*

- 5.1 *The Sheriff's Office is an independent office and does not fall under county policy restrictions. Case law supports this fact. The Sheriff's Office currently operates under its own personnel policy, which was adopted in May 2012. Where gaps in the Sheriff's Office personnel policy are present, we will default to county policy, so long as it does not conflict with the Sheriff's Office policy.*

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## 6. Jail Operations

The county did not solicit bids for prisoner meal supplies and medical services. In addition, the Sheriff did not enter into written contracts to board prisoners and has not implemented adequate receipting procedures for monies received in the jail.

### 6.1 Bidding

Neither the county nor the Sheriff solicited bids for prisoner meal supplies and medical services costing approximately \$73,000 and \$69,000, respectively, during the 2 years ended December 31, 2011. While the Sheriff changed vendors for both prisoner meal supplies and medical services during 2012 and indicated he had noticed considerable savings, neither he nor the county solicited bids for these services.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, the county's selection process, and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

### 6.2 Written contracts

The county has not entered into written agreements with three counties and seven cities regarding the rate to be charged for housing prisoners in the county jail. Lawrence County currently charges these counties and cities \$40 per day to house prisoners.

The county housed prisoners for Jasper County from April to September 2011. While numerous bills have been sent for payment, Jasper County has failed to pay. As of March 2012 Jasper County owes over \$15,000 in prisoner board to the county. Various other cities within the county owe the county a total of \$3,360 for prisoner board billings.



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Lawrence County  
Management Advisory Report - State Auditor's Findings

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Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires county contracts to be in writing.

**6.3 Jail receipting procedures** Receipt slips are not accounted for properly. Six receipt books were used concurrently by jailers, resulting in the use of many different sequences. We reviewed receipt slips issued during the period October through December 2011, totaling \$20,246, and noted various problems. Several instances were noted where receipt slips within the same sequence were not issued in order, some receipt slips were missing from the receipt book, several receipt slips were skipped and not properly defaced to prevent later use, some voided receipt slips were not properly retained, the date and method of payment were not always recorded on the receipt slip, and some receipt slips were not legible.

To adequately account for all monies received, prenumbered receipt slips should be issued in numerical sequence and accounted for properly. Failure to implement adequate receipting procedures increases the risk that loss or misuse of monies received will go undetected.

## Recommendations

- 6.1 The County Commission and Sheriff perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- 6.2 The County Commission and Sheriff enter into written agreements defining services provided and benefits received and continue to pursue collection of amounts due.
- 6.3 The Sheriff ensure receipt slips are issued in numerical sequence and accounted for properly.

## Auditee's Response

*The County Commission provided the following written responses:*

- 6.1 *We will discuss with the Sheriff.*
- 6.2 *We will work with the Sheriff to resolve this issue.*

*The Sheriff provided the following written responses:*

- 6.1 *I will ensure competitive bidding procedures are followed and documentation is retained in the future.*
- 6.2 *I will work with the County Commission to establish written agreements.*
- 6.3 *Jailers have begun using only one receipt book at a time.*



Lawrence County  
Management Advisory Report - State Auditor's Findings

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## 7. County Commission Meeting Minutes

Minutes for closed session meetings are not maintained. The County Commission held three closed sessions during 2011. Without minutes of closed sessions, there is no record of the discussions held or support for decisions made, and less assurance to the public that various statutory provisions are followed.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings. The minutes should provide sufficient details of discussions to demonstrate compliance with statutory provisions and support important decisions made.

### Recommendation

The County Commission ensure minutes are maintained for all closed session meetings.

### Auditee's Response

*The County Commission provided the following written response:*

*No motions were made and no votes were taken. We will show as separate minutes to that effect in the future.*

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## 8. Recorder of Deeds

The prior audit report indicated a \$1,409 overage in the Recorder of Deeds bank account as of December 2006. The Recorder of Deeds did not investigate this difference or properly dispose of these monies, and an overage of \$1,448 exists in this account as of December 31, 2011. Various statutory provisions provide for the disposition of these unidentified monies.

### Recommendation

The Recorder of Deeds dispose of the unidentified overage in accordance with state law.

### Auditee's Response

*The Recorder of Deeds provided the following written response:*

*On May 24, 2012, a check was written to the Lawrence County Treasurer. The amount was \$1,448 and was to be deposited to the General Revenue Fund of Lawrence County. This check was to dispose of the overage in the account of the Recorder of Deeds. A new software program was installed in June 2011. It includes an accounting system so there will be no problem with incorrect balances in the future.*

# Lawrence County

## Organization and Statistical Information

Lawrence County is a county-organized, third-class county. The county seat is Mount Vernon.

Lawrence County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 119 full-time employees and 21 part-time employees on December 31, 2011.

In addition, county operations include the health department, Board for the Developmentally Disabled, and the Senior Citizens Service Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Sam Goodman, Presiding Commissioner	\$	31,700
Joe Ruscha, Associate Commissioner		29,700
Rodney Barnes, Associate Commissioner		29,700
Pam Robertson, Recorder of Deeds		45,000
Gary Emerson, County Clerk		45,000
Don Trotter, Prosecuting Attorney		109,366
Brad DeLay, Sheriff		50,000
Sharon Kleine, County Treasurer		45,000
Scott Lakin, County Coroner		16,000
Pam Fobair, Public Administrator		45,000
Kelli McVey, County Collector (1), year ended February 29,	51,660	
Doug Bowerman, County Assessor , year ended August 31,		45,000
Aaron Austin, County Surveyor (2)		N/A

(1) Includes \$6,660 of commissions earned for collecting city property taxes.

(2) Compensation on a fee basis.

### Financing ArrangementsFinancing ArrangementsArrangements

The county entered into a lease purchase agreement with UMB Bank on March 11, 2010. The terms of the agreement call for the county to lease the justice center to UMB Bank, then the bank leases the justice center back to the county with lease payments equal to the amount due to retire the



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Lawrence County  
Organization and Statistical Information

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**American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)**

indebtedness. Certificates of Participation (COPS) totaling \$4,945,000 were issued by UMB Bank in 2010 on behalf of the county and the proceeds of those certificates are being used to refinance COPS issued in 2007. The lease is scheduled to be paid off in 2016. The remaining principal and interest due on the lease at December 31, 2011, was \$4,020,000 and \$219,543, respectively. A 1/2-cent sales tax was approved by the voters in 2007 to construct, equip, furnish, and operate the new justice center.

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011.

A Homelessness Prevention and Rapid Re-housing Program grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services and \$119,437 was passed through to Lawrence County. The county spent \$119,437 during the 2 years ended December 31, 2011, on this program which provides homelessness prevention assistance to households that would otherwise become homeless and rapid re-housing assistance to persons who are homeless.

For the years ended December 31, 2011 and 2010, the Lawrence County Board for the Developmentally Disabled received \$20,159 under Title V, Section 5001 of the Recovery Act which provided additional federal funding through the Medicaid Federal Medical Assistance Percentage grant. The grant was awarded by the Missouri Department of Mental Health. The payments were made for Medicaid expenditures reported between October 1, 2008, and December 31, 2010.

Child Care and Development Block Grants were awarded by the U.S. Department of Health and Human Services to the Missouri Department of Health and Senior Services and \$1,267 was passed through to Lawrence County. The Lawrence County health department received and spent \$1,267 during the 2 years ended December 31, 2011, on this program for educational materials.

Immunization and Vaccines for Children Grants were awarded by the U.S. Department of Health and Human Services to the Missouri Department of Health and Senior Services and \$537 was passed through to Lawrence County. The Lawrence County health department received and spent \$537 during the year ended December 31, 2010, on this program.





**Thomas A. Schweich**  
Missouri State Auditor

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# Highway 61/ State Highway U Transportation Development District



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September 2012  
Report No. 2012-108

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Highway 61/State Highway U Transportation Development District

Comments	The Highway 61/State Highway U Transportation Development District (TDD) was organized in November 2007 and is located in the City of Moscow Mills. The TDD was formed for the purpose of constructing a new diamond interchange at the intersection of Highway 61 and State Highway U. The project was completed in August 2010. Taxable transactions within the TDD are subject to a 3/8-cent sales tax. The TDD is located within a Tax Increment Financing area. For the areas audited, we identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures.
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In the areas audited, the overall performance of this entity was **Excellent**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Highway 61/State Highway U Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Mark Schuette, Chairman and Executive Director  
and  
Board of Directors  
Highway 61/State Highway U Transportation Development District  
Moscow Mills, Missouri

We have audited certain operations of the Highway 61/State Highway U Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; and interviewing various personnel of the district. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Highway 61/State Highway U Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Katie Twiehaus

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# Highway 61/State Highway U Transportation Development District Organization and Statistical Information

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The Highway 61/State Highway U Transportation Development District (TDD) is located in the City of Moscow Mills in Lincoln County. The TDD was organized in November 2007 by petition of the property owners within the proposed TDD. The Board of Directors and officers include representatives of the property owners.

The qualified voters of the TDD, in this case the property owners, approved the imposition of a sales tax of 3/8-cent (0.375 percent) on all transactions which are taxable within the boundaries of the district. The Board of Directors subsequently passed a resolution which set the sales tax rate at 3/8-cent (0.375 percent) and is currently expected to remain in effect for 40 years, unless terminated sooner after all obligations have been paid.

Through December 31, 2011, there were no retail businesses operating within the TDD; therefore, no sales tax revenues have been collected. The developer of the project funded the project costs and has not yet been reimbursed for the costs incurred.

The TDD was formed for the purpose of constructing a new diamond interchange at the intersection of Highway 61 and State Highway U with an initial estimated cost of \$14.1 million. The Missouri Department of Transportation (MoDOT) and the City of Moscow Mills are the public entities with jurisdiction over the project. Actual project costs totaled approximately \$12 million at completion in August 2010 and MoDOT and the city accepted dedication of the project upon completion.

The TDD is located within a Tax Increment Financing (TIF) area; therefore, 50 percent of the sales tax collected is to be paid to the City of Moscow Mills for deposit to the accounts relating to the TIF projects.

The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

## District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were

Mark Schuette, Chairman and Executive Director  
Martin Meyer, Vice Chairman  
Mark Pearl, Secretary and Treasurer  
Matt Bass, Member  
Fred Grannenam, Member



Highway 61/State Highway U  
Transportation Development District  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Highway 61/State Highway U Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.

Financial Activity

The Highway 61/State Highway U Transportation Development District did not have any financial activity during the 2 years ended December 31, 2011.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Carter County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Carter County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich", is positioned above the printed name.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-107



**The County of Carter  
Van Buren, Missouri  
Independent Auditor's Report and Financial Statements  
Years Ended December 31, 2011 & 2010**



**The County of Carter  
Van Buren, Missouri  
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10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

## Independent Auditor's Report

To the County Commission and  
Officeholders of Carter County, Missouri

We have audited the accompanying financial statements of Carter County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Carter County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Carter County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Carter County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1. As described in Note 4, the County has changed its basis of accounting for the years ended December 31, 2011 and 2010.

In accordance with Government Auditing Standards, we also have issued our report dated July 13, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
July 13, 2012

**The County of Carter**  
**Van Buren, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2011**

<u>Fund</u>	Cash and Equivalents January 1, 2011	Receipts 2011	Disbursements 2011	Cash and Equivalents December 31, 2011
General Revenue	\$ 37,043	\$ 822,577	\$ 815,224	\$ 44,396
Road and Bridge	238,232	661,459	476,778	422,913
Assessment	243	90,017	90,185	75
Assessment Technology	5,706	11,516	8,702	8,520
Forest Reserve	21,376	38,679	59,931	124
Chemical Emergency	4,108	71	1,200	2,979
Tax Maintenance	3,547	8,870	9,272	3,145
CVRDB	382	840	687	535
Domestic Violence	237	151	237	151
Law Enforcement Training	3,373	4,667	2,459	5,581
Sheriff Federal	-	44,181	3,212	40,969
Prosecuting Attorney Tax	1,193	135	-	1,328
Prosecuting Attorney Training	526	727	306	947
Prosecuting Attorney Bad Check	20,665	5,867	5,537	20,995
Recorder's NSD	3,616	298	-	3,914
Recorder's Technology	21,225	1,979	12,551	10,653
Recorder's Users Fees	1,466	2,589	-	4,055
Senior Tax	4,526	15,635	15,628	4,533
Sheltered Workshop Grant	-	259,000	259,000	-
Sheriff Fees	3,419	8,254	10,084	1,589
Sheriff's Impound	1,861	16	1,808	69
Sheriff's Revolving	3,257	3,666	4,441	2,482
Special Election	2	10,506	10,352	156
Carter County Library Project	2,721	-	2,721	-
Election	683	14	-	697
Law Enforcement Restitution	7,140	14,246	5,934	15,452
Senate Bill 40 Board	9,428	43,357	40,173	12,612
Total	<u>\$ 395,975</u>	<u>\$ 2,049,317</u>	<u>\$ 1,836,422</u>	<u>\$ 608,870</u>

See Notes to the Financial Statements

**The County of Carter**  
**Van Buren, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2010**

<u>Fund</u>	Cash and Equivalents			
	January 1, 2010 (Restated)	Receipts 2010	Disbursements 2010	Cash and Equivalents December 31, 2010
General Revenue	\$ 85,966	\$ 1,054,197	\$ 1,103,120	\$ 37,043
Road and Bridge	167,784	847,413	776,965	238,232
Assessment	7,720	87,714	95,191	243
Assessment Technology	2,500	11,027	7,821	5,706
Forest Reserve	478	44,955	24,057	21,376
Chemical Emergency	6,318	142	2,352	4,108
Tax Maintenance	1,265	7,997	5,715	3,547
CVRDB	1,406	680	1,704	382
Domestic Violence	244	237	244	237
Law Enforcement Training	2,034	5,686	4,347	3,373
Sheriff Federal	-	-	-	-
Prosecuting Attorney Tax	1,055	138	-	1,193
Prosecuting Attorney Training	1,189	1,015	1,678	526
Prosecuting Attorney Bad Check	24,342	4,319	7,996	20,665
Recorder's NSD	3,451	165	-	3,616
Recorder's Technology	19,040	2,185	-	21,225
Recorder's Users Fees	2,855	2,815	4,204	1,466
Senior Tax	366	15,410	11,250	4,526
Sheltered Workshop Grant	-	22,758	22,758	-
Sheriff Fees	2,307	14,764	13,652	3,419
Sheriff's Impound	1,891	445	475	1,861
Sheriff's Revolving	3,326	4,910	4,979	3,257
Special Election	36	10,040	10,074	2
Carter County Library Project	-	466,994	464,273	2,721
Election	916	21	254	683
Law Enforcement Restitution	20,872	12,925	26,657	7,140
Senate Bill 40 Board	7,830	42,713	41,115	9,428
Total	<u>\$ 365,191</u>	<u>\$ 2,661,665</u>	<u>\$ 2,630,881</u>	<u>\$ 395,975</u>

See Notes to the Financial Statements

**The County of Carter**  
**Van Buren, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	General Revenue Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 52,701	\$ 51,460	\$ 66,726	\$ 45,380
Sales Taxes	425,000	455,110	434,000	436,488
Intergovernmental	192,100	181,244	257,836	260,567
Charges for Services	113,970	112,789	107,340	121,724
Interest	2,500	2,073	6,000	4,301
Other	11,180	19,901	106,237	34,298
Transfers In	9,791	-	153,648	151,439
Total Receipts	<u>\$ 807,242</u>	<u>\$ 822,577</u>	<u>\$ 1,131,787</u>	<u>\$ 1,054,197</u>
<u>Disbursements</u>				
County Commission	\$ 65,500	\$ 63,258	\$ 65,520	\$ 61,538
County Clerk	34,000	33,107	33,400	31,746
Elections	1,500	12,689	34,050	37,160
Buildings and Grounds	33,500	28,171	54,255	36,820
Employee Fringe Benefits	58,484	53,985	58,000	52,511
Treasurer	31,514	31,301	24,035	24,251
Collector	36,193	35,853	36,350	37,768
Recorder of Deeds	36,500	40,020	34,700	33,994
Circuit Clerk	17,300	18,097	18,400	12,611
Court Administration	990	674	990	567
Public Administrator	22,840	21,320	22,650	21,440
Sheriff	112,000	127,743	131,300	139,422
Jail	51,060	40,143	62,750	30,964
Prosecuting Attorney	58,800	59,251	58,300	58,745
Juvenile Officer	35,301	35,184	35,301	32,180
Coroner	11,200	9,498	10,767	12,382
Other	154,332	176,942	219,746	441,532
Transfers Out	66,852	27,988	292,925	37,489
Emergency Fund	15,483	-	23,121	-
Total Disbursements	<u>\$ 843,349</u>	<u>\$ 815,224</u>	<u>\$ 1,216,560</u>	<u>\$ 1,103,120</u>
Receipts Over (Under)				
Disbursements	\$ (36,107)	\$ 7,353	\$ (84,773)	\$ (48,923)
Cash, January 1	<u>37,043</u>	<u>37,043</u>	<u>85,966</u>	<u>85,966</u>
Cash, December 31	<u>\$ 936</u>	<u>\$ 44,396</u>	<u>\$ 1,193</u>	<u>\$ 37,043</u>

See Notes to the Financial Statements

**The County of Carter**  
**Van Buren, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Road and Bridge Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 126,105	\$ 120,485	\$ 155,831	\$ 116,658
Sales Taxes	-	-	-	-
Intergovernmental	385,000	529,337	653,718	668,536
Charges for Services	-	-	-	-
Interest	5,000	7,603	15,000	8,966
Other	-	4,034	-	53,253
Transfers In	-	-	-	-
Total Receipts	<u>\$ 516,105</u>	<u>\$ 661,459</u>	<u>\$ 824,549</u>	<u>\$ 847,413</u>
 <u>Disbursements</u>				
Salaries	\$ 200,000	\$ 194,853	\$ 200,000	\$ 192,021
Employee Fringe Benefits	48,200	35,108	48,200	35,582
Supplies	70,000	105,527	70,000	104,095
Insurance	30,000	18,310	30,000	16,913
Road & Bridge Materials	187,000	89,455	172,000	209,490
Equipment Repairs	15,000	3,228	15,000	1,992
Equipment Purchases	32,500	670	120,500	40,815
R & B Construction	29,000	510	10,000	468
Other Expenditures	57,300	29,117	177,448	33,941
Transfers Out	15,000	-	24,736	141,648
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 684,000</u>	<u>\$ 476,778</u>	<u>\$ 867,884</u>	<u>\$ 776,965</u>
 Receipts Over (Under)				
Disbursements	\$ (167,895)	\$ 184,681	\$ (43,335)	\$ 70,448
 Cash, January 1	<u>238,232</u>	<u>238,232</u>	<u>167,784</u>	<u>167,784</u>
 Cash, December 31	<u><u>\$ 70,337</u></u>	<u><u>\$ 422,913</u></u>	<u><u>\$ 124,449</u></u>	<u><u>\$ 238,232</u></u>

See Notes to the Financial Statements



**The County of Carter**  
**Van Buren, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Assessment Fund				Assessment Technology Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	51,771	46,388	60,963	49,976	11,693	11,263	5,600	10,728
Charges for Services	-	-	-	-	-	-	-	-
Interest	300	88	1,000	1,480	-	253	250	299
Other	4,142	3,851	2,100	237	-	-	-	-
Transfers In	44,184	39,690	43,099	36,021	-	-	-	-
Total Receipts	<u>\$ 100,397</u>	<u>\$ 90,017</u>	<u>\$ 107,162</u>	<u>\$ 87,714</u>	<u>\$ 11,693</u>	<u>\$ 11,516</u>	<u>\$ 5,850</u>	<u>\$ 11,027</u>
 <u>Disbursements</u>								
Salaries	\$ 64,333	\$ 56,584	\$ 61,192	\$ 60,497	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	6,788	6,701	7,020	6,607	-	-	-	-
Materials and Supplies	2,800	3,541	2,700	3,242	-	-	-	-
Services and Other	14,470	14,087	17,240	13,325	-	-	-	1,498
Capital Outlay	12,005	9,272	11,377	11,520	-	-	-	-
Transfers Out	-	-	-	-	17,399	8,702	8,350	6,323
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 100,396</u>	<u>\$ 90,185</u>	<u>\$ 99,529</u>	<u>\$ 95,191</u>	<u>\$ 17,399</u>	<u>\$ 8,702</u>	<u>\$ 8,350</u>	<u>\$ 7,821</u>
 Receipts Over (Under)								
Disbursements	\$ 1	\$ (168)	\$ 7,633	\$ (7,477)	\$ (5,706)	\$ 2,814	\$ (2,500)	\$ 3,206
 Cash, January 1	<u>243</u>	<u>243</u>	<u>7,720</u>	<u>7,720</u>	<u>5,706</u>	<u>5,706</u>	<u>2,500</u>	<u>2,500</u>
 Cash, December 31	<u>\$ 244</u>	<u>\$ 75</u>	<u>\$ 15,353</u>	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 8,520</u>	<u>\$ -</u>	<u>\$ 5,706</u>

See Notes to the Financial Statements

**The County of Carter**  
**Van Buren, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Forest Reserve Fund				Chemical Emergency Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	40,000	37,707	45,000	43,948	3,500	-	3,500	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	500	972	500	1,007	140	71	200	142
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 40,500</u>	<u>\$ 38,679</u>	<u>\$ 45,500</u>	<u>\$ 44,955</u>	<u>\$ 3,640</u>	<u>\$ 71</u>	<u>\$ 3,700</u>	<u>\$ 142</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	15,000	-	15,000	3,717	400	-	381	-
Services and Other	31,500	15,750	30,000	20,340	3,800	1,200	3,800	2,352
Capital Outlay	-	-	-	-	3,548	-	5,837	-
Transfers Out	19,500	44,181	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 66,000</u>	<u>\$ 59,931</u>	<u>\$ 45,000</u>	<u>\$ 24,057</u>	<u>\$ 7,748</u>	<u>\$ 1,200</u>	<u>\$ 10,018</u>	<u>\$ 2,352</u>
 Receipts Over (Under)								
Disbursements	\$ (25,500)	\$ (21,252)	\$ 500	\$ 20,898	\$ (4,108)	\$ (1,129)	\$ (6,318)	\$ (2,210)
 Cash, January 1	<u>21,376</u>	<u>21,376</u>	<u>478</u>	<u>478</u>	<u>4,108</u>	<u>4,108</u>	<u>6,318</u>	<u>6,318</u>
 Cash, December 31	<u><u>\$ (4,124)</u></u>	<u><u>\$ 124</u></u>	<u><u>\$ 978</u></u>	<u><u>\$ 21,376</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,979</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,108</u></u>

See Notes to the Financial Statements

**The County of Carter**  
**Van Buren, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Tax Maintenance Fund				CVRDB Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	7,600	8,784	6,000	7,889	300	637	800	380
Charges for Services	-	-	-	-	-	-	-	-
Interest	100	86	75	108	20	10	25	38
Other	-	-	-	-	250	193	300	262
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,700</u>	<u>\$ 8,870</u>	<u>\$ 6,075</u>	<u>\$ 7,997</u>	<u>\$ 570</u>	<u>\$ 840</u>	<u>\$ 1,125</u>	<u>\$ 680</u>
 <u>Disbursements</u>								
Salaries	\$ 3,412	\$ 3,491	\$ 1,648	\$ 1,697	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	152	303	152	142	-	-	-	-
Materials and Supplies	740	993	550	1,027	-	-	-	-
Services and Other	1,200	1,375	1,040	598	952	687	2,381	1,704
Capital Outlay	3,860	110	3,950	251	-	-	150	-
Transfers Out	-	3,000	-	2,000	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 9,364</u>	<u>\$ 9,272</u>	<u>\$ 7,340</u>	<u>\$ 5,715</u>	<u>\$ 952</u>	<u>\$ 687</u>	<u>\$ 2,531</u>	<u>\$ 1,704</u>
 Receipts Over (Under)								
Disbursements	\$ (1,664)	\$ (402)	\$ (1,265)	\$ 2,282	\$ (382)	\$ 153	\$ (1,406)	\$ (1,024)
 Cash, January 1	<u>3,547</u>	<u>3,547</u>	<u>1,265</u>	<u>1,265</u>	<u>382</u>	<u>382</u>	<u>1,406</u>	<u>1,406</u>
 Cash, December 31	<u>\$ 1,883</u>	<u>\$ 3,145</u>	<u>\$ -</u>	<u>\$ 3,547</u>	<u>\$ -</u>	<u>\$ 535</u>	<u>\$ -</u>	<u>\$ 382</u>

See Notes to the Financial Statements

**The County of Carter**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Domestic Violence Fund				Law Enforcement Training Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	15,000	150	250	235	4,500	4,549	4,500	5,603
Charges for Services	-	-	-	-	-	-	-	-
Interest	2	1	4	2	42	68	45	43
Other	-	-	-	-	-	50	-	40
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 15,002</u>	<u>\$ 151</u>	<u>\$ 254</u>	<u>\$ 237</u>	<u>\$ 4,542</u>	<u>\$ 4,667</u>	<u>\$ 4,545</u>	<u>\$ 5,686</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	238	237	254	244	7,915	2,459	6,579	4,347
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 238</u>	<u>\$ 237</u>	<u>\$ 254</u>	<u>\$ 244</u>	<u>\$ 7,915</u>	<u>\$ 2,459</u>	<u>\$ 6,579</u>	<u>\$ 4,347</u>
 Receipts Over (Under)								
Disbursements	\$ 14,764	\$ (86)	\$ -	\$ (7)	\$ (3,373)	\$ 2,208	\$ (2,034)	\$ 1,339
 Cash, January 1	<u>237</u>	<u>237</u>	<u>244</u>	<u>244</u>	<u>3,373</u>	<u>3,373</u>	<u>2,034</u>	<u>2,034</u>
 Cash, December 31	<u>\$ 15,001</u>	<u>\$ 151</u>	<u>\$ 244</u>	<u>\$ 237</u>	<u>\$ -</u>	<u>\$ 5,581</u>	<u>\$ -</u>	<u>\$ 3,373</u>

See Notes to the Financial Statements

**The County of Carter  
Van Buren, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
Years Ended December 31, 2011 & 2010**

	Sheriff Federal Fund				Prosecuting Attorney Tax Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	140	110	95	110
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	20	25	30	28
Other	-	-	-	-	-	-	-	-
Transfers In	44,181	44,181	-	-	-	-	-	-
Total Receipts	<u>\$ 44,181</u>	<u>\$ 44,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 135</u>	<u>\$ 125</u>	<u>\$ 138</u>
<u>Disbursements</u>								
Salaries	\$ 3,000	\$ 3,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	220	33	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	1,180	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,220</u>	<u>\$ 3,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ 40,961	\$ 40,969	\$ -	\$ -	\$ 160	\$ 135	\$ (1,055)	\$ 138
Cash, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193</u>	<u>1,193</u>	<u>1,055</u>	<u>1,055</u>
Cash, December 31	<u>\$ 40,961</u>	<u>\$ 40,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,353</u>	<u>\$ 1,328</u>	<u>\$ -</u>	<u>\$ 1,193</u>

See Notes to the Financial Statements

**The County of Carter**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
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**Years Ended December 31, 2011 & 2010**

	Prosecuting Attorney Training Fund				Prosecuting Attorney Bad Check Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	990	714	775	998	4,000	5,458	6,500	3,711
Charges for Services	-	-	-	-	-	-	-	-
Interest	16	13	20	17	550	409	750	608
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,006</u>	<u>\$ 727</u>	<u>\$ 795</u>	<u>\$ 1,015</u>	<u>\$ 4,550</u>	<u>\$ 5,867</u>	<u>\$ 7,250</u>	<u>\$ 4,319</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,139
Employee Fringe Benefits	-	-	-	-	-	-	-	1,342
Materials and Supplies	-	-	-	-	11,000	-	5,000	1,515
Services and Other	1,532	306	1,984	1,678	5,100	5,537	5,100	-
Capital Outlay	-	-	-	-	-	-	6,000	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,532</u>	<u>\$ 306</u>	<u>\$ 1,984</u>	<u>\$ 1,678</u>	<u>\$ 16,100</u>	<u>\$ 5,537</u>	<u>\$ 16,100</u>	<u>\$ 7,996</u>
 Receipts Over (Under)								
Disbursements	\$ (526)	\$ 421	\$ (1,189)	\$ (663)	\$ (11,550)	\$ 330	\$ (8,850)	\$ (3,677)
 Cash, January 1	<u>526</u>	<u>526</u>	<u>1,189</u>	<u>1,189</u>	<u>20,665</u>	<u>20,665</u>	<u>24,342</u>	<u>24,342</u>
 Cash, December 31	<u>\$ -</u>	<u>\$ 947</u>	<u>\$ -</u>	<u>\$ 526</u>	<u>\$ 9,115</u>	<u>\$ 20,995</u>	<u>\$ 15,492</u>	<u>\$ 20,665</u>

See Notes to the Financial Statements

**The County of Carter**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
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**Years Ended December 31, 2011 & 2010**

	Recorder's NSD Fund				Recorder's Technology Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	100	225	200	75	1,800	1,549	1,800	1,674
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	90	73	750	90	90	430	750	511
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 190</u>	<u>\$ 298</u>	<u>\$ 950</u>	<u>\$ 165</u>	<u>\$ 1,890</u>	<u>\$ 1,979</u>	<u>\$ 2,550</u>	<u>\$ 2,185</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	-	-	-	-
Capital Outlay	3,616	-	-	-	23,000	12,551	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,000</u>	<u>\$ 12,551</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ (3,426)	\$ 298	\$ 950	\$ 165	\$ (21,110)	\$ (10,572)	\$ 2,550	\$ 2,185
Cash, January 1	<u>3,616</u>	<u>3,616</u>	<u>3,451</u>	<u>3,451</u>	<u>21,225</u>	<u>21,225</u>	<u>19,040</u>	<u>19,040</u>
Cash, December 31	<u>\$ 190</u>	<u>\$ 3,914</u>	<u>\$ 4,401</u>	<u>\$ 3,616</u>	<u>\$ 115</u>	<u>\$ 10,653</u>	<u>\$ 21,590</u>	<u>\$ 21,225</u>

See Notes to the Financial Statements

**The County of Carter**  
**Van Buren, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Recorder's Users Fees Fund				Senior Tax Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 14,957	\$ 15,190	\$ 15,586	\$ 14,967
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	3,000	2,538	3,240	2,772	250	246	250	266
Charges for Services	-	-	-	-	-	-	-	-
Interest	150	51	250	43	175	199	275	177
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,150</u>	<u>\$ 2,589</u>	<u>\$ 3,490</u>	<u>\$ 2,815</u>	<u>\$ 15,382</u>	<u>\$ 15,635</u>	<u>\$ 16,111</u>	<u>\$ 15,410</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ 5,790	\$ 3,843	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	555	361	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	14,812	15,628	16,477	11,250
Capital Outlay	3,500	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 6,345</u>	<u>\$ 4,204</u>	<u>\$ 14,812</u>	<u>\$ 15,628</u>	<u>\$ 16,477</u>	<u>\$ 11,250</u>
 Receipts Over (Under)								
Disbursements	\$ (350)	\$ 2,589	\$ (2,855)	\$ (1,389)	\$ 570	\$ 7	\$ (366)	\$ 4,160
 Cash, January 1	<u>1,466</u>	<u>1,466</u>	<u>2,855</u>	<u>2,855</u>	<u>4,526</u>	<u>4,526</u>	<u>366</u>	<u>366</u>
 Cash, December 31	<u>\$ 1,116</u>	<u>\$ 4,055</u>	<u>\$ -</u>	<u>\$ 1,466</u>	<u>\$ 5,096</u>	<u>\$ 4,533</u>	<u>\$ -</u>	<u>\$ 4,526</u>

See Notes to the Financial Statements



**The County of Carter  
Van Buren, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
Years Ended December 31, 2011 & 2010**

	Sheltered Workshop Grant Fund				Sheriff Fees Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-		-	-	-	-	-
Intergovernmental	228,686	259,000	251,444	22,758	14,500	8,205	11,000	14,690
Charges for Services	-	-		-	-	-	-	-
Interest	-	-		-	75	49	75	74
Other	-	-		-	-	-	-	-
Transfers In	-	-		-	-	-	-	-
Total Receipts	<u>\$ 228,686</u>	<u>\$ 259,000</u>	<u>\$ 251,444</u>	<u>\$ 22,758</u>	<u>\$ 14,575</u>	<u>\$ 8,254</u>	<u>\$ 11,075</u>	<u>\$ 14,764</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 16,134	\$ 9,580	\$ 8,000	\$ 12,059
Employee Fringe Benefits	-	-	-	-	360	111	-	82
Materials and Supplies	-	-	-	-	-	-	1,082	-
Services and Other	-	-	-	-	1,500	393	4,300	1,511
Capital Outlay	228,686	259,000	251,444	22,758	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 228,686</u>	<u>\$ 259,000</u>	<u>\$ 251,444</u>	<u>\$ 22,758</u>	<u>\$ 17,994</u>	<u>\$ 10,084</u>	<u>\$ 13,382</u>	<u>\$ 13,652</u>
 Receipts Over (Under)								
Disbursements	\$ -	\$ -	\$ -	\$ -	\$ (3,419)	\$ (1,830)	\$ (2,307)	\$ 1,112
 Cash, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,419</u>	<u>3,419</u>	<u>2,307</u>	<u>2,307</u>
 Cash, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,589</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,419</u></u>

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**The County of Carter**  
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**Years Ended December 31, 2011 & 2010**

	Sheriff's Impound Fund				Sheriff's Revolving Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	500	-	1,500	400	4,500	3,631	3,500	4,797
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	40	16	25	45	110	35	125	113
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 540</u>	<u>\$ 16</u>	<u>\$ 1,525</u>	<u>\$ 445</u>	<u>\$ 4,610</u>	<u>\$ 3,666</u>	<u>\$ 3,625</u>	<u>\$ 4,910</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ 1,334	\$ -	\$ -	\$ 4,000	\$ 2,040	\$ 4,000	\$ 3,476
Employee Fringe Benefits	-	474	-	-	-	906	-	24
Materials and Supplies	1,000	-	1,000	-	3,000	-	2,000	1,131
Services and Other	1,000	-	1,000	475	1,000	1,495	2,000	348
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,000</u>	<u>\$ 1,808</u>	<u>\$ 2,000</u>	<u>\$ 475</u>	<u>\$ 8,000</u>	<u>\$ 4,441</u>	<u>\$ 8,000</u>	<u>\$ 4,979</u>
 Receipts Over (Under)								
Disbursements	\$ (1,460)	\$ (1,792)	\$ (475)	\$ (30)	\$ (3,390)	\$ (775)	\$ (4,375)	\$ (69)
 Cash, January 1	<u>1,861</u>	<u>1,861</u>	<u>1,891</u>	<u>1,891</u>	<u>3,257</u>	<u>3,257</u>	<u>3,326</u>	<u>3,326</u>
 Cash, December 31	<u><u>\$ 401</u></u>	<u><u>\$ 69</u></u>	<u><u>\$ 1,416</u></u>	<u><u>\$ 1,861</u></u>	<u><u>\$ (133)</u></u>	<u><u>\$ 2,482</u></u>	<u><u>\$ (1,049)</u></u>	<u><u>\$ 3,257</u></u>

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**The County of Carter**  
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**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Special Election Fund				Carter County Library Project Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	10,476	-	10,027	-	-	443,162	455,078
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	30	-	13	-	-	-	-
Other	-	-	-	-	-	-	-	11,916
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 10,506</u>	<u>\$ -</u>	<u>\$ 10,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,162</u>	<u>\$ 466,994</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ 2,542	\$ -	\$ 2,159	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	1,010	-	7,691	-	-	-	-
Services and Other	-	6,800	-	224	2,721	2,721	15,368	25,750
Capital Outlay	-	-	-	-	-	-	427,794	438,523
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 10,352</u>	<u>\$ -</u>	<u>\$ 10,074</u>	<u>\$ 2,721</u>	<u>\$ 2,721</u>	<u>\$ 443,162</u>	<u>\$ 464,273</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ 154	\$ -	\$ (34)	\$ (2,721)	\$ (2,721)	\$ -	\$ 2,721
Cash, January 1	<u>2</u>	<u>2</u>	<u>36</u>	<u>36</u>	<u>2,721</u>	<u>2,721</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u>\$ 2</u>	<u>\$ 156</u>	<u>\$ 36</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,721</u>

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**The County of Carter**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Election Fund				Law Enforcement Restitution Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	15,000	14,027	10,700	12,559
Charges for Services	-	-	-	-	-	-	-	-
Interest	15	14	25	21	250	219	800	366
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 15</u>	<u>\$ 14</u>	<u>\$ 25</u>	<u>\$ 21</u>	<u>\$ 15,250</u>	<u>\$ 14,246</u>	<u>\$ 11,500</u>	<u>\$ 12,925</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	916	254	-	-	-	-
Services and Other	698	-	-	-	22,390	5,934	32,372	26,657
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 698</u>	<u>\$ -</u>	<u>\$ 916</u>	<u>\$ 254</u>	<u>\$ 22,390</u>	<u>\$ 5,934</u>	<u>\$ 32,372</u>	<u>\$ 26,657</u>
 Receipts Over (Under)								
Disbursements	\$ (683)	\$ 14	\$ (891)	\$ (233)	\$ (7,140)	\$ 8,312	\$ (20,872)	\$ (13,732)
 Cash, January 1	<u>683</u>	<u>683</u>	<u>916</u>	<u>916</u>	<u>7,140</u>	<u>7,140</u>	<u>20,872</u>	<u>20,872</u>
 Cash, December 31	<u><u>\$ -</u></u>	<u><u>\$ 697</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ 683</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,452</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,140</u></u>

See Notes to the Financial Statements

**The County of Carter**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Senate Bill 40 Board Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 43,000	\$ 43,310	\$ 41,132	\$ 42,673
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	50	47	50	40
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 43,050</u>	<u>\$ 43,357</u>	<u>\$ 41,182</u>	<u>\$ 42,713</u>
 <u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	39,235	40,173	39,294	41,115
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers Out	-	-	-	-
Total Disbursements	<u>\$ 39,235</u>	<u>\$ 40,173</u>	<u>\$ 39,294</u>	<u>\$ 41,115</u>
 Receipts Over (Under)				
Disbursements	\$ 3,815	\$ 3,184	\$ 1,888	\$ 1,598
Cash, January 1	<u>9,428</u>	<u>9,428</u>	<u>7,830</u>	<u>7,830</u>
Cash, December 31	<u>\$ 13,243</u>	<u>\$ 12,612</u>	<u>\$ 9,718</u>	<u>\$ 9,428</u>

See Notes to the Financial Statements

**The County of Carter  
Van Buren, Missouri  
Notes to the Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Organized in 1859, the county of Carter was formed from parts of Ripley, Shannon and Wayne Counties and was named after Zimri A. Carter, the first settler. Carter County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Van Buren. Carter County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

**Reporting Entity**

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Carter County, Missouri.

Carter County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Carter County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise Carter County's legal entity. The Carter County Senior Services Board and the Carter County Senate Bill 40 Board Fund are controlled by separate boards and are also included under the control of Carter County.

Certain elected County officials, such as the County Collector, Treasurer and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

**Basis of Presentation**

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Carter County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**Basis of Accounting**

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

**The County of Carter  
Van Buren, Missouri  
Notes to the Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Basis of Accounting (continued)

If Carter County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Carter County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. In 2010, the Sheriff Fees Fund, the Carter County Library Project Fund and the Senate Bill 40 Board all had expenses exceeding their budget. In 2011, the Senior Tax Fund, the Sheltered Workshop Grant Fund, and the Senate Bill 40 Board Fund all had expenses exceeding their budget. Also, the County did not adopt a budget for the Special Election Fund for 2011 or 2010, and budgeted a deficit for the Forest Reserve Fund for 2011 and the Sheriff's Revolving Fund for 2011 and 2010.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

Budgets are prepared and adopted on the cash basis of accounting.

**The County of Carter  
Van Buren, Missouri  
Notes to the Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Carter County's boundaries for the calendar year 2011 and 2010, for the purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 38,951,630	\$ 35,735,114
Personal Property	10,585,414	11,090,214
Railroad and Utilities	1,472,705	1,702,195
	<u>\$ 51,009,749</u>	<u>\$ 48,527,523</u>

The tax levy respectively per \$100 assessed valuation of tangible taxable property for the calendar year 2011 and 2010, for the purpose of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue	\$ 0.0854	\$ 0.1063
Road and Bridge	0.2371	0.2356
Senior Tax	0.0300	0.0300
Senate Bill 40 Board	0.0842	0.0837

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Carter County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.



**The County of Carter  
Van Buren, Missouri  
Notes to the Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**Note 2 - Deposits and Investments**

Carter County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of Carter County's deposits was \$608,870 and \$395,975 and the bank balance was \$852,709 and \$658,327 respectively. As of December 31, 2011, 100% of Carter County's investments were guaranteed by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Deposits	\$ 608,870
Investments	-
Restricted Cash	-
Total Deposits & Investments as of December 31, 2011	<u><u>\$ 608,870</u></u>

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Deposits	\$ 395,975
Investments	-
Restricted Cash	-
Total Deposits & Investments as of December 31, 2010	<u><u>\$ 395,975</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Carter County's investment policy does not include custodial credit risk requirements. Carter County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011, and 2010.

**The County of Carter  
Van Buren, Missouri  
Notes to the Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 2 - Deposits and Investments (continued)**

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Carter County or its agent but not in the government's name. Carter County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Carter County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Carter County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by Carter County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Carter County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Carter County's deposits were not exposed to concentration of investment credit risk for the years ended in December 31, 2011 and 2010.

**Note 3 - Interfund Transfers**

Transfers between funds for the years ended December 31, 2011 and 2010 are as follows:

Fund	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue Fund	\$ -	\$ 27,988	\$ 151,439	\$ 37,489
Road and Bridge Fund	-	-	-	141,648
Assessment Fund	39,690	-	36,021	-
Assessment Technology Fund	-	8,702	-	6,323
Forest Reserve Fund	-	44,181	-	-
Tax Maintenance Fund	-	3,000	-	2,000
Sheriff Federal Fund	44,181	-	-	-
Total	<u>\$ 83,871</u>	<u>\$ 83,871</u>	<u>\$ 187,460</u>	<u>\$ 187,460</u>

**Note 4 - Change in Basis of Accounting**

Carter County, Missouri, has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted by Missouri State Law. The accounting change had no effect on the beginning cash balances of the various county funds.

**The County of Carter  
Van Buren, Missouri  
Notes to the Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 5 - County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees. The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits:

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO, 65102, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$19,433 and \$19,875, respectively for the years ended.

**Note 6 - Prosecuting Attorney Retirement Fund**

In accordance with state statute Chapter 56.807 RSMo, Carter County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Carter County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2011 and 2010.

**The County of Carter  
Van Buren, Missouri  
Notes to the Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 7 - Post-Employment Benefits**

Carter County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

**Note 8 - Claims, Commitments and Contingencies**

Litigation

Carter County is not involved in any pending litigations as of December 31, 2011.

Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. These have not been subjected to auditing procedures.

**Note 9 - Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County was a member participant in a public entity risk pool, which is a corporate and political body, for the year ended 2010. The purpose of the risk pool was to provide liability protection to participating public entities, their officials and employees. Annual contributions were collected based on actuarial projections to produce sufficient funds to meet its obligations; the risk pool was empowered with the ability to make specific assessments. Members were jointly and severally liable for all claims against the pool. The County purchased commercial insurance from a different provider for the year ended 2011.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**Note 10 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 13, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Note 11 - Prior Period Adjustments**

January 1, 2010 cash has been restated to remove various fiduciary funds and circuit court funds not included in the scope of our audit.



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Carter County, Missouri

We have audited the accompanying financial statements of Carter County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Carter County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carter County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carter County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carter County, Missouri's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 11/10-1 through 11/10-3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

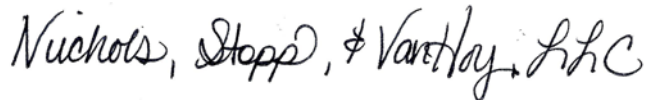
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agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs 11/10-4.

Carter County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Carter County, Missouri's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of Carter County, Missouri, in a separate letter dated July 13, 2012.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHay, L.L.C." The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 13, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Carter County, Missouri

Compliance

We have audited Carter County, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Carter County, Missouri's major federal programs for the years ended December 31, 2011 and 2010. Carter County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Carter County, Missouri's management. Our responsibility is to express an opinion on Carter County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carter County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Carter County, Missouri's compliance with those requirements.

In our opinion, Carter County, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

Management of Carter County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Carter County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carter County, Missouri's internal control over compliance.

10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

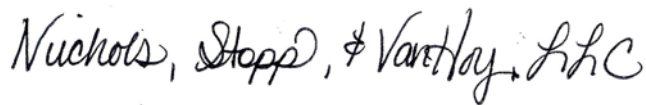
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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11/10-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Carter County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Carter County, Missouri's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 13, 2012



**The County of Carter  
Van Buren, Missouri  
Schedule of Expenditures of Federal Awards  
Years ended December 31, 2011 & 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2011	2010
<b>U.S. Department of Agriculture</b>				
Passed through state:				
Office of Administration -				
Schools and Roads - Grants to States	10.665	N/A	\$ 469,028	\$ 404,771
<b>U.S. Department of Housing and Urban Development</b>				
Passed through state:				
Department of Economic Development -				
Community Development Block Grant	14.228	2009-PF-04	259,000	22,758
Community Development Block Grant	14.228	2008-PF-03	-	283,342
Total U.S. Department of Housing and Urban Development			259,000	306,100
<b>U.S. Department of the Interior</b>				
Direct program:				
Payment on Lieu of Taxes	15.226	N/A	82,316	95,519
<b>U.S. Department of Justice</b>				
Passed through state:				
Department of Public Safety -				
Domestic Cannabis Eradication/Suppression Program	16.XXX	N/A	-	7,097
<b>U.S. Department of Homeland Security</b>				
Passed through state:				
Department of Public Safety -				
Disaster Grants - Public Assistance Grants	97.036	FEMA 1980-DR-MO	360,200	-
Disaster Grants - Public Assistance Grants	97.036	FEMA 1749-DR-MO	-	227,916
Total U.S. Department of Homeland Security			360,200	227,916
Total Expenditures of Federal Awards			\$ 1,170,544	\$ 1,041,403

**The County of Carter  
Van Buren, Missouri  
Notes to Schedule of Expenditures of Federal Awards  
Years ended December 31, 2011 & 2010**

---

**Note 1 - Summary of Significant Accounting Policies**

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Carter County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Note 2 - Subrecipients**

The County did not pass through any federal funds for the years ended December 31, 2011 and 2010.

**The County of Carter  
Van Buren, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

---

**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unqualified Regulatory Basis

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Any noncompliance material to financial  
statements noted?

\_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Type of auditor's report issued on  
compliance for major programs:

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510 (a) of Circular A-133?

  X   Yes \_\_\_\_\_ No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.665	Schools and Roads - Grants to States
14.228	Community Development Block Grant

Dollar threshold used to distinguish  
between type A and type B programs:

 \$300,000 

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

**The County of Carter  
Van Buren, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

---

**Section 2 - Financial Statement Findings**

11/10-1     Condition: During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.

Effect: Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

Recommendation: We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

Management's Response: Management will take this under advisement.

11/10-2     Condition: Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The Clerk and Treasurer will meet to see if we can develop the required documentation.

11/10-3     Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: Will advise Commission this needs to be done.

**The County of Carter  
Van Buren, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

---

11/10-4     Condition: During our audit, we noted funds with actual expenditures that exceeded the budgeted expenditures, did not have an adopted budget, or were deficit budgeted.

Effect: Missouri Statutes requires Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds, the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: We will revise budgets during 2012 as needed.

**Section 3 - Federal Award Findings and Questioned Cost**

11/10-5     Condition: The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

Criteria: OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

Cause: Management was unaware of the reporting requirements related to the Schedule of Expenditures of Federal Awards.

Effect: Federal expenditures reported on the SEFA were incorrect.

Recommendation: We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

Management's Response: We will try to do better.

**The County of Carter  
Van Buren, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

---

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Carter County, Missouri, on the applicable findings in the prior audit report issued for the years ended December 31, 2009 & 2008.

**Prior Year Financial Statement Findings**

None

**Prior Year Federal Award Findings and Questioned Cost**

2009-1     Condition: The expenditures included on the County's Schedule of Expenditures of Federal Awards (SEFA) are not properly reported.

Criteria: The County prepares a Schedule of Expenditures of Federal Awards annually. This schedule is submitted to the State Auditor's Office as part of the annual budget. For the SEFA to adequately reflect the County's federal expenditures it is necessary for all federal expenditures for the period to be included. It appears that the expenditures reported are actually the revenues received for the various federal programs.

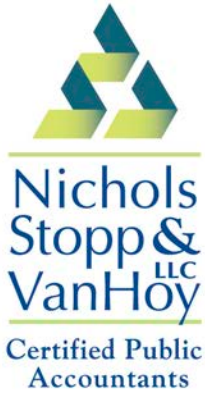
Effect: Without an accurate and complete SEFA, federal programs activity may not be audited and reported in accordance with federal program requirements which could result in reductions of future federal funds or refunds of federal funds already received.

Recommendation: We recommend that the County prepare a complete and accurate schedule of expenditures of federal awards.

Auditee's Response: I will do this to the best of my ability.

Status: Management has not corrected this finding and it will be repeated in the current year as 11/10-5.

July 13, 2012



Members of the County Commission  
Carter County, Missouri  
105 Main St.  
Van Buren, Missouri 63965

Dear Members:

Management of Carter County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carter County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carter County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carter County, Missouri's internal control over financial reporting.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency, which are shown below. This letter does not affect our report dated July 13, 2012 on the financial statements of Carter County, Missouri.

Collectors Office

As part of our audit of the County, we examined the funds remitted to the Treasurer from the Collector; however, we are not engaged to audit the total funds collected by the Collector or those funds remitted to other entities. Although we are not engaged to audit the Collector's office, we performed certain analytical procedures on the amount of funds that should have been remitted to the Treasurer. These procedures include multiplying tax rates by assessed valuations to determine the estimated tax that should have been collected and comparing the estimated tax to what was actually remitted to the Treasurer from the Collector. During our audit we noted that total estimated tax (as calculated by us) compared to the amount remitted to the Treasurer for the General Fund was reasonable for 2011, but less than we would have expected for 2010 and 2009. Over the three years ended December 31, 2011, amounts remitted to the Treasurer for the General Fund was \$10,946 less than we would have expected. It was also brought to our attention that funds collected by the Collector were not always being remitted to the Treasurer or the other entities on a monthly basis.

We recommend the County Commission with the assistance of other County officials at least annually reconcile and compare assessed tax to amounts actually being collected and remitted to the Treasurer and other entities, review delinquent tax books for accuracy, and ensure that all abatements are approved. Also, funds collected by the Collector should be remitted to the various entities on a monthly basis.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
July 13, 2012

10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Mississippi County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Mississippi County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the year ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich", is positioned above the printed name.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-106



**Mississippi County, Missouri**

**Financial Statements, Independent Auditor's Reports,  
and Supplementary Information**

**December 31, 2011**



**Mississippi County, Missouri**  
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**For the year ended December 31, 2011**

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**Mississippi County, Missouri**  
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**For the year ended December 31, 2011**

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## Independent Auditor's Report



**Nichols  
Stopp &  
VanHoy** LLC

**Certified Public  
Accountants**

10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

To the County Commission and  
Officeholders of Mississippi County, Missouri

We have audited the accompanying statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mississippi County, Missouri, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Mississippi County, Missouri prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

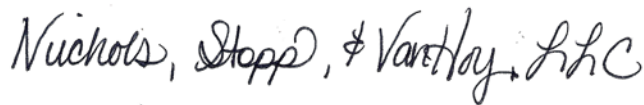
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Mississippi County, Missouri, as of December 31, 2011, and the respective changes in financial position—cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 9, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 17 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Although the management's discussion and analysis has been omitted, the exclusion would not affect our opinion on the basic financial statements. We have applied certain limited procedures to the budgetary comparison information in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mississippi County, Missouri's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Nichols, Stopp, & VanHoy, LLC".

Creve Coeur, Missouri  
July 9, 2012

**Mississippi County, Missouri**  
**Statement of Net Assets - Cash Basis**  
**December 31, 2011**

---

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 943,092
Investments	1,128,087
Restricted Assets - Cash	<u>2,254,381</u>
<b>Total Assets</b>	<b><u>\$ 4,325,560</u></b>
<u>Net Assets</u>	
Unrestricted	\$ 729,472
Restricted	<u>3,596,088</u>
<b>Total Net Assets</b>	<b><u>\$ 4,325,560</u></b>

See Notes to the Financial Statements

**Mississippi County, Missouri**  
**Statement of Activities - Cash Basis**  
**For the year ended December 31, 2011**

		Program Revenues			Net (Expense)
		Charges for	Operating Grants	Capital Grants	Revenue Changes
	Expenses	Services	& Contributions	& Contributions	in Net Assets
<b>Primary Government</b>					
Governmental Activities					Total
General County Government	\$ 1,220,916	\$ 238,729	\$ 38,623	\$ -	\$ (943,564)
Road & Bridge	1,528,148	31,469	-	1,394,107	(102,572)
Health & Welfare	555,356	7,966	-	-	(547,390)
Property Valuation & Recording	196,611	7,140	-	-	(189,471)
Administration of Justice & Law	2,365,839	179,491	29,876	-	(2,156,472)
Capital Outlay	64,392	-	-	-	(64,392)
Debt Services	367,546	-	-	-	(367,546)
<b>Total Governmental Activities</b>	<b>\$ 6,298,808</b>	<b>\$ 464,795</b>	<b>\$ 68,499</b>	<b>\$ 1,394,107</b>	<b>\$ (4,371,407)</b>
<b>General Revenues</b>					
					\$ 1,270,911
					1,673,065
					2,019,744
					55,219
					189,821
					<b>\$ 5,208,760</b>
<b>Change in Net Assets</b>					
					\$ 837,353
<b>Beginning Net Assets (Restated)</b>					
					\$ 3,488,207
<b>Ending Net Assets</b>					
					<b>\$ 4,325,560</b>

See Notes to the Financial Statements

Mississippi County, Missouri  
Statement of Fiduciary Net Assets - Cash Basis  
December 31, 2011

---

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	<u>\$ 3,858,372</u>
<b>Total Assets</b>	<u><u>\$ 3,858,372</u></u>
<b><u>Liabilities</u></b>	
Due to Others	<u>\$ 3,858,372</u>
<b>Total Liabilities</b>	<u><u>\$ 3,858,372</u></u>

See Notes to the Financial Statements



**Mississippi County, Missouri**  
**Statement of Assets, Liabilities & Fund Balance**  
**Various Funds - Cash Basis**  
**December 31, 2011**

	Major Funds				Non-major	Total
	General Revenue	Road &	Law	Senate Bill 40	Governmental	Governmental
	Fund	Bridge Fund	Enforcement	Board	Funds	Funds
			Tax Fund			
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ 729,472	\$ -	\$ -	\$ 213,620	\$ -	\$ 943,092
Investments	-	-	-	1,128,087	-	1,128,087
Restricted Assets - Cash	-	1,487,477	43,299	-	723,605	2,254,381
<b>Total Assets</b>	<b>\$ 729,472</b>	<b>\$ 1,487,477</b>	<b>\$ 43,299</b>	<b>\$ 1,341,707</b>	<b>\$ 723,605</b>	<b>\$ 4,325,560</b>
<b><u>Fund Balances</u></b>						
Unassigned	\$ 729,472	\$ -	\$ -	\$ -	\$ -	\$ 729,472
Restricted	-	1,487,477	43,299	1,341,707	723,605	3,596,088
<b>Total Fund Balances</b>	<b>\$ 729,472</b>	<b>\$ 1,487,477</b>	<b>\$ 43,299</b>	<b>\$ 1,341,707</b>	<b>\$ 723,605</b>	<b>\$ 4,325,560</b>

See Notes to the Financial Statements

**Mississippi County, Missouri**  
**Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities**  
**For the year ended December 31, 2011**

---

Total Governmental Fund Balances	\$ 4,325,560
Reconciling Items:	
None	<u>-</u>
Net Assets of Governmental Activities	<u><u>\$ 4,325,560</u></u>

See Notes to the Financial Statements

**Mississippi County, Missouri**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Various Funds - Cash Basis**  
**For the year ended December 31, 2011**

	Major Funds				Non-major	Total
	General Revenue	Road & Bridge	Law Enforcement	Senate Bill 40	Governmental	Governmental
	Fund	Fund	Tax Fund	Board	Funds	Funds
<b>Revenues:</b>						
Property & Other Taxes	\$ 460,431	\$ 482,655	\$ -	\$ 169,317	\$ 158,508	\$ 1,270,911
Sales Taxes	957,944	-	476,749	-	238,372	1,673,065
Charges for Services	218,653	31,469	73,746	-	140,927	464,795
Investment Income	12,271	12,566	968	17,321	12,093	55,219
Intergovernmental	91,987	1,759,331	1,139,602	-	491,430	3,482,350
Miscellaneous	42,711	38,226	91,676	-	17,208	189,821
<b>Total Revenues</b>	<b>\$ 1,783,997</b>	<b>\$ 2,324,247</b>	<b>\$ 1,782,741</b>	<b>\$ 186,638</b>	<b>\$ 1,058,538</b>	<b>\$ 7,136,161</b>
<b>Expenditures:</b>						
General County Government	\$ 1,027,546	\$ -	\$ -	\$ -	\$ 193,370	\$ 1,220,916
Road & Bridge	-	1,294,671	-	-	233,477	1,528,148
Health & Welfare	16,957	-	-	264,933	273,466	555,356
Property Valuation, Assessment & Recording	-	-	-	-	196,611	196,611
Administration of Justice and Law	258,772	-	1,995,063	-	112,004	2,365,839
<b>Capital Outlay:</b>	-	-	-	-	-	-
Property, Equipment & Buildings	-	47,938	-	-	16,454	64,392
<b>Debt Service:</b>	-	-	-	-	-	-
Principle	-	-	345,000	-	-	345,000
Interest and Paying Agent Fee	-	-	22,546	-	-	22,546
<b>Total Expenditures</b>	<b>\$ 1,303,275</b>	<b>\$ 1,342,609</b>	<b>\$ 2,362,609</b>	<b>\$ 264,933</b>	<b>\$ 1,025,382</b>	<b>\$ 6,298,808</b>
Excess of Revenues Over (Under) Expenditures	\$ 480,722	\$ 981,638	\$ (579,868)	\$ (78,295)	\$ 33,156	\$ 837,353
Other Financing Sources and Uses						
Transfers In	\$ -	\$ -	\$ 520,000	\$ -	\$ 42,222	\$ 562,222
Transfers Out	(562,222)	-	-	-	-	(562,222)
Total Other Financing Sources and Uses	\$ (562,222)	\$ -	\$ 520,000	\$ -	\$ 42,222	\$ -
<b>Net Change in Fund Balance</b>	<b>\$ (81,500)</b>	<b>\$ 981,638</b>	<b>\$ (59,868)</b>	<b>\$ (78,295)</b>	<b>\$ 75,378</b>	<b>\$ 837,353</b>
<b>Fund Balance - Beginning of Year (Restated)</b>	<b>\$ 810,972</b>	<b>\$ 505,839</b>	<b>\$ 103,167</b>	<b>\$ 1,420,002</b>	<b>\$ 648,227</b>	<b>\$ 3,488,207</b>
<b>Fund Balance - End of Year</b>	<b>\$ 729,472</b>	<b>\$ 1,487,477</b>	<b>\$ 43,299</b>	<b>\$ 1,341,707</b>	<b>\$ 723,605</b>	<b>\$ 4,325,560</b>

See Notes to the Financial Statements

**Mississippi County, Missouri**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the year ended December 31, 2011**

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Net Change in Fund Balance - Total Governmental Funds	\$ 837,353
Reconciling Items:	
None	<u>-</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 837,353</u></u>

See Notes to the Financial Statements

**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

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**Note 1 - Summary of Significant Accounting Policies**

The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commissioners and elected county officials. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

Management has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets and expenses, and changes in net assets reported in the governmental and business-type activities. The County is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which these departures would affect the related financial statements is not determinable.

The County maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others. Agency funds account for assets the County holds for others in an agency capacity, such as property taxes collected for other political subdivisions and the assets of special benefit road districts. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASB No. 34.

The County maintains trust accounts, where amounts for individuals subject to County guardianship are routinely deposited. The County holds cash balances as an agent and fund custodian. The Mississippi Public Administrator's accounts are classified as Fiduciary Funds (Agency) under GASB No. 34.

Budgets and Budgetary Practices

In accordance with Chapter 50 RSMo, Mississippi County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

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A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Mississippi County's boundaries for the calendar year 2011, for the purposes of taxation was:

	<u>2011</u>
Real Estate	93,339,410
Personal Property	40,172,109
Railroad and Utilities	<u>10,988,658</u>
	<u><u>144,500,177</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2011 for the purpose of County taxation was as follows:

	<u>2011</u>
General Revenue Fund	\$ 0.3146
Road and Bridge Fund	0.3491
Johnson Grass Fund	0.0498
Senate Bill 40 Board	0.1229

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

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**Note 2 - Deposits and Investments**

Deposits

In addition to depositing in demand deposits, political subdivisions such as counties have authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of County deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of the types specified by Section 30.270, RSMo, for the collateralization of the state funds held by either the County or financial institution other than the depository bank. Section 67.085 RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principle and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, Mississippi County will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The County's deposits at December 31, 2011 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the County's custodial banks in the County's name.

The 911 Emergency Service Board's deposits at December 31, 2011 were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by a correspondent bank in the Board's name.

Investments

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchased agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods) and use of public funds for speculation. The County has adopted such a policy.

**Note 3 - Long-Term Debt**

Long-term debt due at December 31, 2011 consists of the following:

Mississippi County issued Drainage District Improvement Bonds, Series 1999 for Drainage District No. 23 of Mississippi County, dated June 4, 1999 in the original amount of \$165,000. Drainage District No. 23 of Mississippi County loaned \$165,000 to Mississippi County for twenty years at a range of annual interest rates in the range of 3.4% to 5.25% per annum. The note will mature on March 1, 2019. The purpose and activities of the Issuer are those permitted under the Chapter 243 of the Revised Statutes of Missouri, 1990, as amended (the "Drainage District Bond Law"). Mississippi County issued Drainage District Bond, Series 1999, for the purpose of providing funds to finance the cost of construction of Drainage District No. 23 improvements.

\$ 85,000

**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

Mississippi County Signed a lease purchase agreement with the Missouri Public Facilities Authority dated July 1, 1997 in the original amount of \$585,000. The Authority loaned \$585,000 to Mississippi County for fourteen years at a range of 3.85% to 5.00% per annum. The note will mature on August 1, 2012. The purpose and activities of the Issuer are those permitted under the Missouri Nonprofit Corporation Act, Chapter 355 of the Revised Statutes of Missouri. Mississippi County issued insured leasehold revenue bonds, series 1997, to provide funds to finance the cost of constructing and equipping a new juvenile detention center.

50,000

Mississippi County Signed a lease purchase agreement with the Missouri Public Facilities Authority dated October 1, 2001 in the original amount of \$2,845,000. The Authority loaned \$2,845,000 to Mississippi County for twelve years at a range of annual interest rates between 2.25% to 4.20% per annum. The note will mature on August 1, 2012. The purpose and activities of the Issuer are those permitted under the Missouri Nonprofit Corporation Act, Chapter 355 of the Revised Statutes of Missouri. Mississippi County issued insured leasehold revenue bonds, Series 2001, for the purpose of refunding certain insured leasehold revenue bonds that had been issued to provide funds to finance the cost of constructing and equipping a new juvenile detention center.

305,000

Mississippi County entered a non-cancellable capital lease for rental, maintenance and repair services for a Tow Behind Paver from FOCUS bank dated November 20, 2008, in the original amount of \$39,500. FOCUS Bank loaned \$39,500 to Mississippi County for four years at an implicit interest rate of 5.15% per annum. The note will mature on November 20, 2012. The lease requires 4 annual payments at \$10,945.78. The schedule for the future minimum lease payments under the lease at December 31, 2011 are listed below.

	9,875
\$	449,875

Annual requirements to retire the above long-term debt as of December 31, 2011 are as follows:

Year Ended December 31,	Leasehold Revenue Bonds, Series 2001	Leasehold Revenue Bonds, Series 1997	Drainage District Improvement Bonds, Series 1999	Capital Lease Tow Behind Paver	Total
2012	\$ 305,000	\$ 50,000	\$ 10,000	\$ 9,875	\$ 374,875
2013	-	-	10,000	-	10,000
2014	-	-	10,000	-	10,000
2015	-	-	10,000	-	10,000
2016	-	-	10,000	-	10,000
2017-2019	-	-	35,000	-	35,000
	\$ 305,000	\$ 50,000	\$ 85,000	\$ 9,875	\$ 449,875



**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

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**Note 4 - Retirement Plans**

Missouri Local Government Employees Retirement Systems (LAGERS):

Plan Description

The County of Mississippi participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P. O. Box 1665, Jefferson County, MO 65102 or by calling 1-800-447-4334.

Funding Policy

The County of Mississippi's full-time employees contribute 4% of their gross pay to the pension plan. The June 30th statutorily required contribution rates are 5.6% (General) and 9.4% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the County Council. The contribution provisions of the County are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

For 2011, the political subdivision's annual pension cost of \$124,297 was not equal to the actual contributions of \$96,022, resulting in a net pension obligation of \$46,843. The annual required contribution (ARC) was determined as part of the February 28, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, and (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 year for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2009 was 30 years for the General division and 30 years for the Police division. The amortization period as of February 28, 2010 was 30 years for the General division and 30 years for the Police division.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
6/30/2009	\$ 71,954	100.0%	\$ -
6/30/2010	\$ 104,315	82.2%	\$ 18,568
6/30/2011	\$ 124,297	77.3%	\$ 46,843

**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

**Note 4 - Retirement Plans (continued)**

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	( a ) Actuarial Value of Assets	( b ) Entry Age Actuarial Liability	( b-a ) Unfunded Accrued Liability (UAL)	( a/b ) Funded Ratio	( c ) Annual Covered Payroll	[ ( b/a )/( c ) ] UAL as a Percentage of Covered Payroll
2/28/2009	\$ 2,189,676	\$ 2,742,121	\$ 552,445	80%	1,815,673	30%
2/28/2010	\$ 2,463,378	\$ 3,011,999	\$ 548,621	82%	1,813,039	30%
2/28/2011	\$ 2,537,433	\$ 3,058,233	\$ 520,800	83%	1,620,849	32%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson County.

**County Employees Retirement Fund (CERF):**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-877-632-2373.

**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

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**Note 4 - Retirement Plans (continued)**

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 contribute 0% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in CERF. The revenues collected, minus employee contributions, are considered employer contributions.

**Note 5 - Interfund Transfers**

Transfers between funds for the year ended December 31, 2011 are as follows:

Fund	Transfers In	Transfers Out
General Revenue	\$ -	\$ 562,222
Law Enforcement Tax	520,000	-
Assessment	42,222	-
Total	<u>\$ 562,222</u>	<u>\$ 562,222</u>

**Note 6 - Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**Note 7 - Prior Period Adjustment**

Beginning net assets of governmental activities in the government-wide financial statements and beginning fund balance in the fund statements have been restated to include the activities of the Senate Bill 40 Board and to remove the Circuit Clerk Interest Fund, Juvenile Assessment Fund, and the Law Library Fund which are not included in the scope of our audit. The effect of this adjustment will increase beginning net assets of the County. This adjustment will have no material effect on the operations of the County.

**Mississippi County, Missouri**  
**Notes to the Financial Statements**  
**December 31, 2011**

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**Note 8 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 9, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Note 9 - Adoption of New Accounting Policy**

The County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. The objective of this statement is to provide clearer fund balance classifications and is effective for periods beginning after June 15, 2010.

**Note 10 - New Accounting Pronouncements**

GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources and is effective for periods beginning after December 15, 2011. Effects on the County's financial statements as a result of the adoption of this new pronouncements are unknown.

## **Required Supplementary Information**

**Mississippi County, Missouri**  
**Budgetary Comparison Schedule - Major Funds**  
**For the year ended December 31, 2011**

	General Revenue Fund			Road & Bridge Fund		
	Final Budget	Actual	Difference	Final Budget	Actual	Difference
<b>Revenues:</b>						
Property & Other Taxes	\$ 460,000	\$ 460,431	\$ 431	\$ 460,000	\$ 482,655	\$ 22,655
Sales Taxes	850,000	957,944	107,944	-	-	-
Charges for Services	181,000	218,653	37,653	50,000	31,469	(18,531)
Investment Income	17,500	12,271	(5,229)	12,000	12,566	566
Intergovernmental	83,500	91,987	8,487	1,155,000	1,759,331	604,331
Miscellaneous	39,250	42,711	3,461	-	38,226	38,226
<b>Total Revenues</b>	<u>\$ 1,631,250</u>	<u>\$ 1,783,997</u>	<u>\$ 152,747</u>	<u>\$ 1,677,000</u>	<u>\$ 2,324,247</u>	<u>\$ 647,247</u>
	.			.		
<b>Expenditures:</b>						
General County Government	\$ 1,045,815	\$ 1,027,546	\$ 18,269	\$ -	\$ -	\$ -
Road & Bridge	-	-	-	1,369,750	1,294,671	75,079
Health & Welfare	26,111	16,957	9,154	-	-	-
Property Valuation Assessment & Recording	-	-	-	-	-	-
Administration of Justice & Law	281,712	258,772	22,940	-	-	-
<b>Capital Outlay:</b>	-	-	-	-	-	-
Property, Equipment & Buildings	-	-	-	11,000	47,938	(36,938)
<b>Debt Service:</b>	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest & Paying Agent Fee	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 1,353,638</u>	<u>\$ 1,303,275</u>	<u>\$ 50,363</u>	<u>\$ 1,380,750</u>	<u>\$ 1,342,609</u>	<u>\$ 38,141</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 277,612</u>	<u>\$ 480,722</u>	<u>\$ 102,384</u>	<u>\$ 296,250</u>	<u>\$ 981,638</u>	<u>\$ 609,106</u>
Other Financing Sources and Uses						
Transfers In	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
Transfers Out	(592,222)	(562,222)	(30,000)	-	-	-
Total Other Financing Sources and Uses	<u>\$ (592,222)</u>	<u>\$ (562,222)</u>	<u>\$ (30,000)</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (314,610)</u>	<u>\$ (81,500)</u>	<u>\$ 72,384</u>	<u>\$ 346,250</u>	<u>\$ 981,638</u>	<u>\$ 659,106</u>
<b>Fund Balance - Beginning of Year</b>	<u>\$ 810,972</u>	<u>\$ 810,972</u>	<u>\$ -</u>	<u>\$ 505,839</u>	<u>\$ 505,839</u>	<u>\$ -</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 496,362</u></u>	<u><u>\$ 729,472</u></u>	<u><u>\$ 72,384</u></u>	<u><u>\$ 852,089</u></u>	<u><u>\$ 1,487,477</u></u>	<u><u>\$ 659,106</u></u>

See Notes to the Financial Statements

**Mississippi County, Missouri**  
**Budgetary Comparison Schedule - Major Funds**  
**For the year ended December 31, 2011**

	Law Enforcement Tax Fund			Senate Bill 40 Board		
	Final Budget	Actual	Difference	Final Budget	Actual	Difference
<b>Revenues:</b>						
Property & Other Taxes	\$ -	\$ -	\$ -	\$ 170,000	\$ 169,317	\$ (683)
Sales Taxes	425,000	476,749	51,749	-	-	-
Charges for Services	74,000	73,746	(254)	-	-	-
Investment Income	500	968	468	25,000	17,321	(7,679)
Intergovernmental	1,153,000	1,139,602	(13,398)	101	-	(101)
Miscellaneous	99,500	91,676	(7,824)	-	-	-
<b>Total Revenues</b>	<b>\$ 1,752,000</b>	<b>\$ 1,782,741</b>	<b>\$ 30,741</b>	<b>\$ 195,101</b>	<b>\$ 186,638</b>	<b>\$ (8,463)</b>
<b>Expenditures:</b>						
General County Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Road & Bridge	-	-	-	-	-	-
Health & Welfare	-	-	-	589,340	264,933	324,407
Property Valuation Assessment & Recording	-	-	-	-	-	-
Administration of Justice & Law	2,019,735	1,995,063	24,672	-	-	-
<b>Capital Outlay:</b>	-	-	-	-	-	-
Property, Equipment & Buildings	-	-	-	-	-	-
<b>Debt Service:</b>	-	-	-	-	-	-
Principal	345,000	345,000	-	-	-	-
Interest & Paying Agent Fee	23,000	22,546	454	-	-	-
<b>Total Expenditures</b>	<b>\$ 2,387,735</b>	<b>\$ 2,362,609</b>	<b>\$ 25,126</b>	<b>\$ 589,340</b>	<b>\$ 264,933</b>	<b>\$ 324,407</b>
Excess of Revenues Over (Under) Expenditures	\$ (635,735)	\$ (579,868)	\$ 5,615	\$ (394,239)	\$ (78,295)	\$ (332,870)
Other Financing Sources and Uses						
Transfers In	\$ 536,000	\$ 520,000	\$ 16,000	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources and Uses	\$ 536,000	\$ 520,000	\$ 16,000	\$ -	\$ -	\$ -
<b>Net Change in Fund Balance</b>	<b>\$ (99,735)</b>	<b>\$ (59,868)</b>	<b>\$ 21,615</b>	<b>\$ (394,239)</b>	<b>\$ (78,295)</b>	<b>\$ (332,870)</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ 103,167</b>	<b>\$ 103,167</b>	<b>\$ -</b>	<b>\$ 1,420,002</b>	<b>\$ 1,420,002</b>	<b>\$ -</b>
<b>Fund Balance - End of Year</b>	<b>\$ 3,432</b>	<b>\$ 43,299</b>	<b>\$ 21,615</b>	<b>\$ 1,025,763</b>	<b>\$ 1,341,707</b>	<b>\$ (332,870)</b>

See Notes to the Financial Statements

**Mississippi County, Missouri**  
**Notes to Required Supplementary Information**  
**For the year ended December 31, 2011**

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**Note 1 - Note to Budget Preparation**

In January of each year, the County Clerk presents a budget for the coming year to the County Commission. The task of preparing the County's budget involves a review of the current revenues and expenditures, analyzing and predicting revenues for the coming year, integrating the capital priority list, and reviewing expenditures for future operation. The budgets are prepared using the cash basis of accounting.



## **Supplementary Information**

**Mississippi County, Missouri**  
**Combining Balance Sheet: Non-major Governmental Funds**  
**December 31, 2011**

	Assessment Fund	Law Enforcement Restitution Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Delinquent Sales Tax Fund	Prosecuting Attorney Bad Check Fund
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted Assets - Cash	93,839	18,585	6,869	807	7,640	12,173
<b>Total Assets</b>	<b>\$ 93,839</b>	<b>\$ 18,585</b>	<b>\$ 6,869</b>	<b>\$ 807</b>	<b>\$ 7,640</b>	<b>\$ 12,173</b>
<b><u>Fund Balances</u></b>						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	93,839	18,585	6,869	807	7,640	12,173
<b>Total Fund Balances</b>	<b>\$ 93,839</b>	<b>\$ 18,585</b>	<b>\$ 6,869</b>	<b>\$ 807</b>	<b>\$ 7,640</b>	<b>\$ 12,173</b>

**Mississippi County, Missouri**  
**Combining Balance Sheet: Non-major Governmental Funds**  
**December 31, 2011**

	Recorder User Fund	Recorder Technology Fund	911 Emergency Fund	Contingency Fund	Johnson Grass Fund	Drug Court Grant Fund
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted Assets - Cash	31,137	8,106	113,476	35,009	154,562	-
<b>Total Assets</b>	<b>\$ 31,137</b>	<b>\$ 8,106</b>	<b>\$ 113,476</b>	<b>\$ 35,009</b>	<b>\$ 154,562</b>	<b>\$ -</b>
<b><u>Fund Balances</u></b>						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	31,137	8,106	113,476	35,009	154,562	-
<b>Total Fund Balances</b>	<b>\$ 31,137</b>	<b>\$ 8,106</b>	<b>\$ 113,476</b>	<b>\$ 35,009</b>	<b>\$ 154,562</b>	<b>\$ -</b>

**Mississippi County, Missouri**  
**Combining Balance Sheet: Non-major Governmental Funds**  
**December 31, 2011**

	Deputy Sheriff Salary Supply Fund	Capital Improvement Sales Tax Fund	Special Election Fund	Victims of Domestic Violence Fund	Insurance Fund	Senior Citizens' Sales Tax Fund
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted Assets - Cash	-	-	17,453	2,566	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,453</b>	<b>\$ 2,566</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Fund Balances</u></b>						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	17,453	2,566	-	-
<b>Total Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,453</b>	<b>\$ 2,566</b>	<b>\$ -</b>	<b>\$ -</b>

**Mississippi County, Missouri**  
**Combining Balance Sheet: Non-major Governmental Funds**  
**December 31, 2011**

	<u>HAVA Grant Fund</u>	<u>Drainage Fund 3</u>	<u>Drainage Fund 10</u>	<u>Drainage Fund 14</u>	<u>Drainage Fund 23</u>	<u>Drainage Fund 25n</u>
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted Assets - Cash	3,957	3,445	26,175	63,672	14,894	11,307
<b>Total Assets</b>	<u>\$ 3,957</u>	<u>\$ 3,445</u>	<u>\$ 26,175</u>	<u>\$ 63,672</u>	<u>\$ 14,894</u>	<u>\$ 11,307</u>
<b><u>Fund Balances</u></b>						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,957	3,445	26,175	63,672	14,894	11,307
<b>Total Fund Balances</b>	<u>\$ 3,957</u>	<u>\$ 3,445</u>	<u>\$ 26,175</u>	<u>\$ 63,672</u>	<u>\$ 14,894</u>	<u>\$ 11,307</u>

**Mississippi County, Missouri**  
**Combining Balance Sheet: Non-major Governmental Funds**  
**December 31, 2011**

	<u>Drainage Fund 25g</u>	<u>Drainage Fund 29</u>	<u>Drainage Fund 30</u>	<u>Drainage Fund 32</u>	<u>Ditch Supervision Fund</u>	<u>Juvenile Justice Grant II Fund</u>
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted Assets - Cash	6,806	9,068	32,017	32,840	1,042	(2,880)
<b>Total Assets</b>	<u><u>\$ 6,806</u></u>	<u><u>\$ 9,068</u></u>	<u><u>\$ 32,017</u></u>	<u><u>\$ 32,840</u></u>	<u><u>\$ 1,042</u></u>	<u><u>\$ (2,880)</u></u>
<b><u>Fund Balances</u></b>						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	6,806	9,068	32,017	32,840	1,042	(2,880)
<b>Total Fund Balances</b>	<u><u>\$ 6,806</u></u>	<u><u>\$ 9,068</u></u>	<u><u>\$ 32,017</u></u>	<u><u>\$ 32,840</u></u>	<u><u>\$ 1,042</u></u>	<u><u>\$ (2,880)</u></u>

**Mississippi County, Missouri**  
**Combining Balance Sheet: Non-major Governmental Funds**  
**December 31, 2011**

	<u>Title V Juvenile Justice Fund</u>	<u>Title II JDAI Grant Fund</u>	<u>Homeless Prevention Grant Fund</u>	<u>Collector Tax Maintenance Fund</u>	<u>Financial Institution Tax Fund</u>	<u>Collector Surplus Tax Fund</u>
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Restricted Assets - Cash	-	(392)	-	9,129	868	1,086
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ (392)</u>	<u>\$ -</u>	<u>\$ 9,129</u>	<u>\$ 868</u>	<u>\$ 1,086</u>
<b><u>Fund Balances</u></b>						
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	(392)	-	9,129	868	1,086
<b>Total Fund Balances</b>	<u>\$ -</u>	<u>\$ (392)</u>	<u>\$ -</u>	<u>\$ 9,129</u>	<u>\$ 868</u>	<u>\$ 1,086</u>

**Mississippi County, Missouri**  
**Combining Balance Sheet: Non-major Governmental Funds**  
**December 31, 2011**

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	Jury Scrip Fund	Election Services Fund	Laura Bush Foundation Grant Fund	Total Non-Major Governmental Funds
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Restricted Assets - Cash	-	8,349	-	723,605
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 8,349</b>	<b>\$ -</b>	<b>\$ 723,605</b>
<b><u>Fund Balances</u></b>				
Unassigned	\$ -	\$ -	\$ -	\$ -
Restricted	-	8,349	-	723,605
<b>Total Fund Balances</b>	<b>\$ -</b>	<b>\$ 8,349</b>	<b>\$ -</b>	<b>\$ 723,605</b>



**Mississippi County, Missouri**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-major Governmental Funds**  
**For the year ended December 31, 2011**

	Assessment Fund	Law Enforcement Restitution Fund	Law Enforcement Training Fund	Prosecuting Attorney Training Fund	Prosecuting Attorney Delinquent Sales Tax Fund	Prosecuting Attorney Bad Check Fund
<b>Revenues:</b>						
Property & Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-
Charges for Services	-	14,858	6,293	1,118	-	7,285
Interest Income	2,070	228	73	10	65	198
Intergovernmental	148,904	-	2,521	460	4,407	1,195
Miscellaneous	3,920	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 154,894</b>	<b>\$ 15,086</b>	<b>\$ 8,887</b>	<b>\$ 1,588</b>	<b>\$ 4,472</b>	<b>\$ 8,678</b>
<b>Expenditures:</b>						
General County Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Road & Bridge	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-
Property Valuation, Assessment & Recording	190,746	-	-	-	-	-
Administration of Justice & Law	-	7,385	5,009	1,553	-	10,020
<b>Capital Outlay:</b>						
Property, Equipment & Buildings	-	-	-	-	-	-
<b>Debt Service:</b>						
Principle	-	-	-	-	-	-
Interest and Paying Agent Fee	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 190,746</b>	<b>\$ 7,385</b>	<b>\$ 5,009</b>	<b>\$ 1,553</b>	<b>\$ -</b>	<b>\$ 10,020</b>
Excess of Revenues Over (Under) Expenditures	\$ (35,852)	\$ 7,701	\$ 3,878	\$ 35	\$ 4,472	\$ (1,342)
Other Financing Sources & Uses:						
Transfers In	\$ 42,222	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources &amp; Uses</b>	<b>\$ 42,222</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 6,370</b>	<b>\$ 7,701</b>	<b>\$ 3,878</b>	<b>\$ 35</b>	<b>\$ 4,472</b>	<b>\$ (1,342)</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ 87,469</b>	<b>\$ 10,884</b>	<b>\$ 2,991</b>	<b>\$ 772</b>	<b>\$ 3,168</b>	<b>\$ 13,515</b>
<b>Fund Balance - End of Year</b>	<b>\$ 93,839</b>	<b>\$ 18,585</b>	<b>\$ 6,869</b>	<b>\$ 807</b>	<b>\$ 7,640</b>	<b>\$ 12,173</b>

**Mississippi County, Missouri**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-major Governmental Funds**  
**For the year ended December 31, 2011**

	Recorder User Fund	Recorder Technology Fund	911 Emergency Fund	Contingency Fund	Johnson Grass Fund	Drug Court Grant Fund
<b>Revenues:</b>						
Property & Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ 68,864	\$ -
Sales Taxes	-	-	-	-	-	-
Charges for Services	4,521	2,619	64,861	-	-	-
Interest Income	436	143	1,747	527	2,900	36
Intergovernmental	-	-	-	-	60	-
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 4,957</b>	<b>\$ 2,762</b>	<b>\$ 66,608</b>	<b>\$ 527</b>	<b>\$ 71,824</b>	<b>\$ 36</b>
<b>Expenditures:</b>						
General County Government	\$ -	\$ -	\$ -	\$ -	\$ 65,901	\$ -
Road & Bridge	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-
Property Valuation, Assessment & Recording	112	5,753	-	-	-	-
Administration of Justice & Law	-	-	34,876	-	-	4,572
<b>Capital Outlay:</b>						
Property, Equipment & Buildings	-	-	16,454	-	-	-
<b>Debt Service:</b>						
Principle	-	-	-	-	-	-
Interest and Paying Agent Fee	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 112</b>	<b>\$ 5,753</b>	<b>\$ 51,330</b>	<b>\$ -</b>	<b>\$ 65,901</b>	<b>\$ 4,572</b>
Excess of Revenues Over (Under) Expenditures	\$ 4,845	\$ (2,991)	\$ 15,278	\$ 527	\$ 5,923	\$ (4,536)
Other Financing Sources & Uses:						
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources &amp; Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 4,845</b>	<b>\$ (2,991)</b>	<b>\$ 15,278</b>	<b>\$ 527</b>	<b>\$ 5,923</b>	<b>\$ (4,536)</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ 26,292</b>	<b>\$ 11,097</b>	<b>\$ 98,198</b>	<b>\$ 34,482</b>	<b>\$ 148,639</b>	<b>\$ 4,536</b>
<b>Fund Balance - End of Year</b>	<b>\$ 31,137</b>	<b>\$ 8,106</b>	<b>\$ 113,476</b>	<b>\$ 35,009</b>	<b>\$ 154,562</b>	<b>\$ -</b>

**Mississippi County, Missouri**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-major Governmental Funds**  
**For the year ended December 31, 2011**

	Deputy Sheriff Salary Supply Fund	Capital Improvement Sales Tax Fund	Special Election Fund	Victims of Domestic Violence Fund	Insurance Fund	Senior Citizens' Sales Tax Fund
<b>Revenues:</b>						
Property & Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	238,372
Charges for Services	11,330	-	-	7,966	-	-
Interest Income	-	-	-	-	394	-
Intergovernmental	-	-	34,877	-	81,205	-
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 11,330</b>	<b>\$ -</b>	<b>\$ 34,877</b>	<b>\$ 7,966</b>	<b>\$ 81,599</b>	<b>\$ 238,372</b>
<b>Expenditures:</b>						
General County Government	\$ -	\$ 543	\$ 17,424	\$ -	\$ 82,173	\$ -
Road & Bridge	-	-	-	-	-	-
Health & Welfare	-	-	-	5,400	-	238,372
Property Valuation, Assessment & Recording	-	-	-	-	-	-
Administration of Justice & Law	11,330	-	-	-	-	-
<b>Capital Outlay:</b>						
Property, Equipment & Buildings	-	-	-	-	-	-
<b>Debt Service:</b>						
Principle	-	-	-	-	-	-
Interest and Paying Agent Fee	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 11,330</b>	<b>\$ 543</b>	<b>\$ 17,424</b>	<b>\$ 5,400</b>	<b>\$ 82,173</b>	<b>\$ 238,372</b>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (543)	\$ 17,453	\$ 2,566	\$ (574)	\$ -
Other Financing Sources & Uses:						
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources &amp; Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (543)</b>	<b>\$ 17,453</b>	<b>\$ 2,566</b>	<b>\$ (574)</b>	<b>\$ -</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ -</b>	<b>\$ 543</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 574</b>	<b>\$ -</b>
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,453</b>	<b>\$ 2,566</b>	<b>\$ -</b>	<b>\$ -</b>

**Mississippi County, Missouri**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-major Governmental Funds**  
**For the year ended December 31, 2011**

	<u>HAVA Grant Fund</u>	<u>Drainage Fund 3</u>	<u>Drainage Fund 10</u>	<u>Drainage Fund 14</u>	<u>Drainage Fund 23</u>	<u>Drainage Fund 25n</u>
<b>Revenues:</b>						
Property & Other Taxes	\$ -	\$ 1,653	\$ 6,265	\$ 21,498	\$ 26,921	\$ 3,317
Sales Taxes	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	56	45	385	1,013	296	149
Intergovernmental	1,565	-	-	47,365	83,194	-
Miscellaneous	-	-	-	12,000	-	-
<b>Total Revenues</b>	<u>\$ 1,621</u>	<u>\$ 1,698</u>	<u>\$ 6,650</u>	<u>\$ 81,876</u>	<u>\$ 110,411</u>	<u>\$ 3,466</u>
<b>Expenditures:</b>						
General County Government	\$ 429	\$ -	\$ -	\$ -	\$ -	\$ -
Road & Bridge	-	-	-	77,764	123,013	-
Health & Welfare	-	-	-	-	-	-
Property Valuation, Assessment & Recording	-	-	-	-	-	-
Administration of Justice & Law	-	-	-	-	-	-
<b>Capital Outlay:</b>						
Property, Equipment & Buildings	-	-	-	-	-	-
<b>Debt Service:</b>						
Principle	-	-	-	-	-	-
Interest and Paying Agent Fee	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,764</u>	<u>\$ 123,013</u>	<u>\$ -</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,192	\$ 1,698	\$ 6,650	\$ 4,112	\$ (12,602)	\$ 3,466
Other Financing Sources & Uses:						
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources &amp; Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	\$ 1,192	\$ 1,698	\$ 6,650	\$ 4,112	\$ (12,602)	\$ 3,466
<b>Fund Balance - Beginning of Year</b>	<u>\$ 2,765</u>	<u>\$ 1,747</u>	<u>\$ 19,525</u>	<u>\$ 59,560</u>	<u>\$ 27,496</u>	<u>\$ 7,841</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 3,957</u></u>	<u><u>\$ 3,445</u></u>	<u><u>\$ 26,175</u></u>	<u><u>\$ 63,672</u></u>	<u><u>\$ 14,894</u></u>	<u><u>\$ 11,307</u></u>

**Mississippi County, Missouri**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-major Governmental Funds**  
**For the year ended December 31, 2011**

	<u>Drainage Fund 25g</u>	<u>Drainage Fund 29</u>	<u>Drainage Fund 30</u>	<u>Drainage Fund 32</u>	<u>Ditch Supervision Fund</u>	<u>Juvenile Justice Grant II Fund</u>
<b>Revenues:</b>						
Property & Other Taxes	\$ 944	\$ -	\$ -	\$ 28,178	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Interest Income	99	137	482	398	7	-
Intergovernmental	-	-	-	22,982	-	19,925
Miscellaneous	-	-	-	-	1,288	-
<b>Total Revenues</b>	<u>\$ 1,043</u>	<u>\$ 137</u>	<u>\$ 482</u>	<u>\$ 51,558</u>	<u>\$ 1,295</u>	<u>\$ 19,925</u>
<b>Expenditures:</b>						
General County Government	\$ -	\$ -	\$ -	\$ -	\$ 398	\$ -
Road & Bridge	-	-	-	32,700	-	-
Health & Welfare	-	-	-	-	-	-
Property Valuation, Assessment & Recording	-	-	-	-	-	-
Administration of Justice & Law	-	-	-	-	-	21,416
<b>Capital Outlay:</b>						
Property, Equipment & Buildings	-	-	-	-	-	-
<b>Debt Service:</b>						
Principle	-	-	-	-	-	-
Interest and Paying Agent Fee	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,700</u>	<u>\$ 398</u>	<u>\$ 21,416</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,043	\$ 137	\$ 482	\$ 18,858	\$ 897	\$ (1,491)
Other Financing Sources & Uses:						
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources &amp; Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	\$ 1,043	\$ 137	\$ 482	\$ 18,858	\$ 897	\$ (1,491)
<b>Fund Balance - Beginning of Year</b>	<u>\$ 5,763</u>	<u>\$ 8,931</u>	<u>\$ 31,535</u>	<u>\$ 13,982</u>	<u>\$ 145</u>	<u>\$ (1,389)</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 6,806</u></u>	<u><u>\$ 9,068</u></u>	<u><u>\$ 32,017</u></u>	<u><u>\$ 32,840</u></u>	<u><u>\$ 1,042</u></u>	<u><u>\$ (2,880)</u></u>

**Mississippi County, Missouri**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-major Governmental Funds**  
**For the year ended December 31, 2011**

	Title V Juvenile Justice Fund	Title II JDAI Grant Fund	Homeless Prevention Grant Fund	Collector Tax Maintenance Fund	Financial Institution Tax Fund	Collector Surplus Tax Fund
<b>Revenues:</b>						
Property & Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ 868	\$ -
Sales Taxes	-	-	-	-	-	-
Charges for Services	-	-	-	20,076	-	-
Interest Income	-	-	-	53	11	-
Intergovernmental	7,205	915	29,694	-	-	812
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<u>\$ 7,205</u>	<u>\$ 915</u>	<u>\$ 29,694</u>	<u>\$ 20,129</u>	<u>\$ 879</u>	<u>\$ 812</u>
<b>Expenditures:</b>						
General County Government	\$ -	\$ -	\$ -	\$ 18,461	\$ 6,142	\$ -
Road & Bridge	-	-	-	-	-	-
Health & Welfare	-	-	29,694	-	-	-
Property Valuation, Assessment & Recording	-	-	-	-	-	-
Administration of Justice & Law	7,205	1,307	-	-	-	-
<b>Capital Outlay:</b>						
Property, Equipment & Buildings	-	-	-	-	-	-
<b>Debt Service:</b>						
Principle	-	-	-	-	-	-
Interest and Paying Agent Fee	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 7,205</u>	<u>\$ 1,307</u>	<u>\$ 29,694</u>	<u>\$ 18,461</u>	<u>\$ 6,142</u>	<u>\$ -</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (392)	\$ -	\$ 1,668	\$ (5,263)	\$ 812
Other Financing Sources & Uses:						
Transfers In	\$ -	\$ -		\$ -	\$ -	\$ -
Transfers Out	-	-		-	-	-
<b>Total Other Financing Sources &amp; Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	\$ -	\$ (392)	\$ -	\$ 1,668	\$ (5,263)	\$ 812
<b>Fund Balance - Beginning of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,461</u>	<u>\$ 6,131</u>	<u>\$ 274</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ -</u></u>	<u><u>\$ (392)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,129</u></u>	<u><u>\$ 868</u></u>	<u><u>\$ 1,086</u></u>

**Mississippi County, Missouri**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances: Non-major Governmental Funds**  
**For the year ended December 31, 2011**

	Jury Scrip Fund	Election Services Fund	Laura Bush Foundation Grant Fund	Total Non-Major Governmental Funds
<b>Revenues:</b>				
Property & Other Taxes	\$ -	\$ -	\$ -	\$ 158,508
Sales Taxes	-	-	-	238,372
Charges for Services	-	-	-	140,927
Interest Income	-	135	-	12,093
Intergovernmental	3,503	641	-	491,430
Miscellaneous	-	-	-	17,208
<b>Total Revenues</b>	<b>\$ 3,503</b>	<b>\$ 776</b>	<b>\$ -</b>	<b>\$ 1,058,538</b>
<b>Expenditures:</b>				
General County Government	\$ -	\$ 1,899	\$ -	\$ 193,370
Road & Bridge	-	-	-	233,477
Health & Welfare	-	-	-	273,466
Property Valuation, Assessment & Recording	-	-	-	196,611
Administration of Justice & Law	3,503	-	3,828	112,004
<b>Capital Outlay:</b>				-
Property, Equipment & Buildings	-	-	-	16,454
<b>Debt Service:</b>				-
Principle	-	-	-	-
Interest and Paying Agent Fee	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 3,503</b>	<b>\$ 1,899</b>	<b>\$ 3,828</b>	<b>\$ 1,025,382</b>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (1,123)	\$ (3,828)	\$ 33,156
Other Financing Sources & Uses:				
Transfers In	\$ -	\$ -	\$ -	\$ 42,222
Transfers Out	-	-	-	-
<b>Total Other Financing Sources &amp; Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,222</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (1,123)</b>	<b>\$ (3,828)</b>	<b>\$ 75,378</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ -</b>	<b>\$ 9,472</b>	<b>\$ 3,828</b>	<b>\$ 648,227</b>
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ 8,349</b>	<b>\$ -</b>	<b>\$ 723,605</b>

**Mississippi County, Missouri**  
**Combining Statement of Fiduciary Net Assets - Cash Basis**  
**For the year ended December 31, 2011**

	County Collector Fund	Public Administrator Trust Accounts	CERF	Fines & Forfeitures Fund	Detention Center Inmate Accounts	Total Fiduciary Net Assets
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 3,226,858	\$ 442,746	\$ 3,549	\$ 178,025	\$ 7,194	\$ 3,858,372
<b>Total Assets</b>	<b>\$ 3,226,858</b>	<b>\$ 442,746</b>	<b>\$ 3,549</b>	<b>\$ 178,025</b>	<b>\$ 7,194</b>	<b>\$ 3,858,372</b>
<b><u>Liabilities</u></b>						
Due to Others	\$ 3,226,858	\$ 442,746	\$ 3,549	\$ 178,025	\$ 7,194	\$ 3,858,372
<b>Total Liabilities</b>	<b>\$ 3,226,858</b>	<b>\$ 442,746</b>	<b>\$ 3,549</b>	<b>\$ 178,025</b>	<b>\$ 7,194</b>	<b>\$ 3,858,372</b>





REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Mississippi County, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information Mississippi County, Missouri as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Mississippi County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mississippi County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mississippi County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mississippi County, Missouri's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 2011-01 and 2011-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

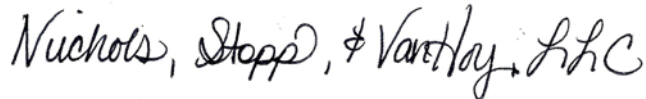
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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mississippi County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mississippi County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mississippi County, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 9, 2012



10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Mississippi County, Missouri

Compliance

We have audited Mississippi County, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on Mississippi County, Missouri's major federal program for the year ended December 31, 2011. Mississippi County, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Mississippi County, Missouri's management. Our responsibility is to express an opinion on Mississippi County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mississippi County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mississippi County, Missouri's compliance with those requirements.

In our opinion, Mississippi County, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Mississippi County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mississippi County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nichols, Stopp, & VanHay, LLC*

Creve Coeur, Missouri  
July 9, 2012

## **Other Information**

**Mississippi County, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended December 31, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through state:			
Office of Administration -			
Emergency Watershed Protection Program	10.923	68-6424-10-105	\$ 197,770
<b>U.S. Department of Justice</b>			
Passed through state:			
Department of Public Safety -			
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2010-Title 2-0018	27,294
Title V Delinquency Prevention Program	16.548	2008-JJT5-01	7,205
			<hr/>
Total U.S. Department of Justice			34,499
<b>U.S. Department of Transportation</b>			
Passed through state:			
Highway and Transportation Commission -			
Highway Planning and Construction	20.205	BRO-067(16)	29,243
<b>U.S. Department of Health and Human Services</b>			
Passed through state:			
Department of Social Services -			
Child Support Enforcement	93.563	2011 IV-D	24,641
ARRA - Community Services Block Grant	93.710	ER1640029A	29,694
			<hr/>
Total U.S. Department of Health and Human Services			54,335
<b>U.S. Department of Homeland Security</b>			
Passed through state:			
Department of Public Safety -			
Disaster Grants - Public Assistance	97.036	FEMA-1980-DR-MO	575,656
			<hr/>
Total Expenditures of Federal Awards			<hr/> <hr/> \$ 891,503

**Mississippi County, Missouri**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended December 31, 2011**

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**Note 1 - Summary of Significant Accounting Policies**

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Mississippi County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Note 2 - Subrecipients**

The County did not pass through any federal funds for the year ended December 31, 2011.

**Mississippi County, Missouri**  
**Schedule of Findings and Questioned Cost**  
**For the year ended December 31, 2011**

---

**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are  
not considered to be material weaknesses? \_\_\_\_\_   X   Yes \_\_\_\_\_ None Reported

Any noncompliance material to financial  
statements noted? \_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiencies identified  
not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Type of auditor's report issued on  
compliance for major programs: Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510 (a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish  
between type A and type B programs: \_\_\_\_\_  \$300,000 

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No



**Mississippi County, Missouri**  
**Schedule of Findings and Questioned Cost**  
**December 31, 2011**

---

**Section 2 - Financial Statement Findings**

2011-01    Condition: Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: Mississippi County will develop an internal control policy that outlines processes and procedures to be followed by county officials to minimize risks and to effectively identify any problems that may occur in the transacting of county business.

2011-02    Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: Mississippi County will implement a procedure whereby risk assessments are conducted to identify, analyze and manage any identifiable risks; furthermore, identifiable risks will be documented as will any proposed action to be taken to minimize or eliminate those risks.

**Section 3 - Federal Award Findings and Questioned Cost**

None

**Mississippi County, Missouri**  
**Follow-Up on Prior Audit Findings for an Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the County of Mississippi, Missouri on the applicable finding in the prior audit report issued for the year ended December 31, 2010.

2010-1    **Condition:** Payroll time sheets did not always have daily totals of hours worked. Eight of one hundred eighty two tested only indicated total hours worked for the week.

**Criteria:** Good internal controls suggest that time sheets should indicate days and hours worked.

**Cause:** County employees were not required to keep daily time records.

**Effect:** The County does not have good records of when some of their employees worked.

**Recommendation:** The County should implement a system that will require all employees to keep hours worked on a daily basis.

**Reply:** The County will correct this problem.

**Status:** The County has corrected this issue.

2010-2    **Condition:** Recorder's Office is not giving receipts for all fees collected.

**Criteria:** A good receipt system requires that receipts are given every time fees are collected.

**Cause:** Recorder was unsure of process.

**Effect:** The internal controls are not as strong as they should be for receipts of fees.

**Recommendation:** All offices of the County should issue receipts when fees are collected.

**Reply:** The County will correct this problem.

**Status:** The County has corrected this issue.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Caldwell County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Caldwell County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich", is positioned above the printed name.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-105

**The County of Caldwell  
Kingston, Missouri  
Financial Statements, Independent Auditor's Reports and Supplementary Information  
December 31, 2011 & 2010**



**The County of Caldwell  
Kingston, Missouri  
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## Independent Auditor's Report

To the County Commission and  
Officeholders of Caldwell County, Missouri



10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

We have audited the accompanying financial statements of Caldwell County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Caldwell County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Caldwell County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Caldwell County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1. As described in Note 5, the County has changed its basis of accounting for the years ended December 31, 2011 and 2010.

In accordance with Government Auditing Standards, we also have issued our report dated July 2, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
July 2, 2012

**The County of Caldwell**  
**Kingston, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year ended December 30, 2011**

<u>Fund</u>	Cash and Equivalents January 1, 2011	Receipts 2011	Disbursements 2011	Cash and Equivalents December 31, 2011
General Revenue	\$ 467,785	\$ 1,082,819	\$ 938,818	\$ 611,786
Road and Bridge	302,007	765,254	679,095	388,166
Law Enforcement Sales Tax	84,939	2,673,558	2,563,077	195,420
Little Otter Creek Tax	471,305	290,143	222,063	539,385
Road and Bridge Sales Tax	95,914	202,787	169,216	129,485
Assessment	52,932	170,691	175,888	47,735
Tax Maintenance	59,595	15,141	17,952	56,784
Election Services	7,136	821	138	7,819
Election	9,739	41,455	29,556	21,638
Planning and Zoning	-	-	-	-
Prosecuting Attorney Training	3,043	640	1,549	2,134
Peace Officers Training	8,573	3,873	3,185	9,261
Domestic Violence	1,424	646	1,450	620
Prosecutor Collection	2,582	53	171	2,464
Sheriff Civil Fees	42,842	19,655	17,170	45,327
Record Storage	5,446	5,657	5,331	5,772
Prosecuting Attorney Bad Check	12,808	11,363	14,554	9,617
HAVA Fund	3,704	42	-	3,746
Sheriff's Revolving	8,166	6,221	-	14,387
Local Emergency Planning Commission	2,714	-	2,714	-
Total	<u>\$ 1,642,654</u>	<u>\$ 5,290,819</u>	<u>\$ 4,841,927</u>	<u>\$ 2,091,546</u>

See Notes to Financial Statements



**The County of Caldwell**  
**Kingston, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2010**

<u>Fund</u>	Cash and Equivalents January 1, 2010 (Restated)	Receipts 2010	Disbursements 2010	Cash and Equivalents December 31, 2010
General Revenue	\$ 179,341	\$ 1,460,332	\$ 1,171,888	\$ 467,785
Road and Bridge	228,419	1,615,882	1,542,294	302,007
Law Enforcement Sales Tax	(124,520)	2,887,539	2,678,080	84,939
Little Otter Creek Tax	379,831	332,031	240,557	471,305
Road and Bridge Sales Tax	135,148	205,015	244,249	95,914
Assessment	34,254	155,854	137,176	52,932
Tax Maintenance	45,165	18,672	4,242	59,595
Election Services	5,413	2,359	636	7,136
Election	3,018	59,641	52,920	9,739
Planning and Zoning	21,200	-	21,200	-
Prosecuting Attorney Training	3,371	727	1,055	3,043
Peace Officers Training	845	11,310	3,582	8,573
Domestic Violence	682	742	-	1,424
Prosecutor Collection	2,846	-	264	2,582
Sheriff Civil Fees	22,528	21,864	1,550	42,842
Record Storage	7,141	5,663	7,358	5,446
Prosecuting Attorney Bad Check	14,590	16,205	17,987	12,808
HAVA Fund	3,559	145	-	3,704
Sheriff's Revolving	3,530	5,019	383	8,166
Local Emergency Planning Commission	472	2,242	-	2,714
Total	<u>\$ 966,833</u>	<u>\$ 6,801,242</u>	<u>\$ 6,125,421</u>	<u>\$ 1,642,654</u>

See Notes to Financial Statements

**The County of Caldwell  
Kingston, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
Years ended December 31, 2011 & 2010**

	General Revenue Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 190,000	\$ 199,626	\$ 140,000	\$ 189,753
Sales Taxes	270,000	284,249	600,000	688,683
Intergovernmental	78,250	92,975	79,572	78,357
Charges for Services	228,000	365,876	296,000	227,867
Interest	8,000	13,125	8,000	17,551
Other	210,400	45,545	29,900	145,671
Transfers In	76,779	81,423	111,200	112,450
Total Receipts	<u>\$ 1,061,429</u>	<u>\$ 1,082,819</u>	<u>\$ 1,264,672</u>	<u>\$ 1,460,332</u>
<u>Disbursements</u>				
County Commission	\$ 90,541	\$ 94,986	\$ 87,290	\$ 86,695
County Clerk	105,000	104,987	129,212	104,222
Building and Grounds	77,416	82,219	93,000	57,911
Employee Fringe Benefits	77,000	71,322	57,697	74,493
Collector/Treasurer	76,900	62,884	79,250	69,690
Recorder of Deeds	77,078	73,099	75,136	70,765
Public Administrator	25,175	24,111	24,200	25,722
Planning and Zoning	14,100	15,322	15,604	12,063
Other	178,100	121,200	170,420	141,687
Health and Welfare	2,000	688	10,000	640
Transfers Out	293,000	288,000	438,000	528,000
Emergency Fund	75,000	-	100,000	-
Total Disbursements	<u>\$ 1,091,310</u>	<u>\$ 938,818</u>	<u>\$ 1,279,809</u>	<u>\$ 1,171,888</u>
Receipts Over (Under) Disbursements	\$ (29,881)	\$ 144,001	\$ (15,137)	\$ 288,444
Cash, January 1 (restated)	<u>467,785</u>	<u>467,785</u>	<u>179,341</u>	<u>179,341</u>
Cash, December 31	<u><u>\$ 437,904</u></u>	<u><u>\$ 611,786</u></u>	<u><u>\$ 164,204</u></u>	<u><u>\$ 467,785</u></u>

See Notes to the Financial Statements

**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Road and Bridge Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	405,000	428,771	400,000	474,505
Charges for Services	-	-	-	-
Interest	12,500	5,709	9,510	14,063
Other	1,001,025	330,774	1,459,653	1,127,314
Transfers In	-	-	-	-
Total Receipts	<u>\$ 1,418,525</u>	<u>\$ 765,254</u>	<u>\$ 1,869,163</u>	<u>\$ 1,615,882</u>
<u>Disbursements</u>				
Salaries	\$ 120,000	\$ 117,088	\$ 114,242	\$ 117,125
Employee Fringe Benefits	45,871	42,466	36,254	40,339
Supplies	53,500	44,714	55,600	36,714
Insurance	8,000	9,030	10,000	7,853
Road & Bridge Materials	151,500	135,327	130,500	130,049
Equipment Repairs	28,500	33,264	25,000	39,380
Equipment Purchases	55,000	56,961	45,000	61,688
R & B Construction	895,125	159,944	1,422,910	993,563
Other Expenditures	14,150	10,301	16,600	25,583
Transfers Out	70,000	70,000	90,000	90,000
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 1,441,646</u>	<u>\$ 679,095</u>	<u>\$ 1,946,106</u>	<u>\$ 1,542,294</u>
Receipts Over (Under)				
Disbursements	\$ (23,121)	\$ 86,159	\$ (76,943)	\$ 73,588
Cash, January 1 (restated)	<u>302,007</u>	<u>302,007</u>	<u>228,419</u>	<u>228,419</u>
Cash, December 31	<u><u>\$ 278,886</u></u>	<u><u>\$ 388,166</u></u>	<u><u>\$ 151,476</u></u>	<u><u>\$ 302,007</u></u>

See Notes to the Financial Statements

**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Law Enforcement Sales Tax Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	205,000	193,336	210,000	200,405
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	1,000	1,053	-	2,634
Other	2,138,311	2,196,739	2,050,432	2,167,070
Transfers In	282,430	282,430	420,000	517,430
Total Receipts	<u>\$ 2,626,741</u>	<u>\$ 2,673,558</u>	<u>\$ 2,680,432</u>	<u>\$ 2,887,539</u>
<u>Disbursements</u>				
Circuit Clerk	\$ 23,817	\$ 17,045	\$ 27,100	\$ 17,572
Sheriff	611,900	581,170	660,117	586,735
Jail	1,522,055	1,443,954	1,671,940	1,555,870
Prosecuting Attorney	85,200	84,888	86,654	85,559
Juvenile Officer	13,601	8,321	7,945	7,317
Coroner	24,300	20,096	23,900	22,181
Other	141,832	135,053	39,197	112,096
Employee Fringe Benefits	278,000	272,550	247,922	290,750
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 2,700,705</u>	<u>\$ 2,563,077</u>	<u>\$ 2,764,775</u>	<u>\$ 2,678,080</u>
Receipts Over (Under)				
Disbursements	\$ (73,964)	\$ 110,481	\$ (84,343)	\$ 209,459
Cash, January 1 (restated)	<u>84,939</u>	<u>84,939</u>	<u>(124,520)</u>	<u>(124,520)</u>
Cash, December 31	<u><u>\$ 10,975</u></u>	<u><u>\$ 195,420</u></u>	<u><u>\$ (208,862)</u></u>	<u><u>\$ 84,939</u></u>

See Notes to the Financial Statements

**The County of Caldwell**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Little Otter Creek Tax Fund				Road & Bridge Sales Tax Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	200,000	193,273	215,000	200,335	230,000	193,352	240,000	200,479
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	17,000	6,175	10,000	17,605	1,500	1,504	5,000	4,536
Other	700,000	90,695	1,100,000	114,091	-	7,931	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 917,000</u>	<u>\$ 290,143</u>	<u>\$ 1,325,000</u>	<u>\$ 332,031</u>	<u>\$ 231,500</u>	<u>\$ 202,787</u>	<u>\$ 245,000</u>	<u>\$ 205,015</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	10,150	69	10,150	34	-	-	-	-
Services and Other	212,000	221,994	240,000	215,636	230,000	169,216	245,000	244,249
Capital Outlay	150,000	-	1,375,000	24,887	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 372,150</u>	<u>\$ 222,063</u>	<u>\$ 1,625,150</u>	<u>\$ 240,557</u>	<u>\$ 230,000</u>	<u>\$ 169,216</u>	<u>\$ 245,000</u>	<u>\$ 244,249</u>
Receipts Over (Under)								
Disbursements	\$ 544,850	\$ 68,080	\$ (300,150)	\$ 91,474	\$ 1,500	\$ 33,571	\$ -	\$ (39,234)
Cash, January 1 (restated)	<u>471,305</u>	<u>471,305</u>	<u>379,831</u>	<u>379,831</u>	<u>95,914</u>	<u>95,914</u>	<u>135,148</u>	<u>135,148</u>
Cash, December 31	<u>\$ 1,016,155</u>	<u>\$ 539,385</u>	<u>\$ 79,681</u>	<u>\$ 471,305</u>	<u>\$ 97,414</u>	<u>\$ 129,485</u>	<u>\$ 135,148</u>	<u>\$ 95,914</u>

See Notes to the Financial Statements

**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Assessment Fund				Tax Maintenance Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	142,657	145,075	123,392	134,113	-	-	-	-
Charges for Services	-	-	-	2,608	-	-	-	-
Interest	2,500	949	-	-	2,000	735	-	2,320
Other	500	11,667	400	1,133	15,000	14,406	-	16,352
Transfers In	13,000	13,000	18,000	18,000	-	-	-	-
Total Receipts	<u>\$ 158,657</u>	<u>\$ 170,691</u>	<u>\$ 141,792</u>	<u>\$ 155,854</u>	<u>\$ 17,000</u>	<u>\$ 15,141</u>	<u>\$ -</u>	<u>\$ 18,672</u>
 <u>Disbursements</u>								
Salaries	\$ 93,080	\$ 87,200	\$ 94,612	\$ 90,976	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	25,000	21,742	22,000	20,191	-	-	-	-
Materials and Supplies	9,300	10,118	13,500	8,168	5,000	6,185	-	-
Services and Other	59,483	15,910	24,950	17,841	500	344	5,500	4,242
Capital Outlay	-	40,918	-	-	-	-	-	-
Transfers Out	-	-	-	-	6,779	11,423	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 186,863</u>	<u>\$ 175,888</u>	<u>\$ 155,062</u>	<u>\$ 137,176</u>	<u>\$ 12,279</u>	<u>\$ 17,952</u>	<u>\$ 5,500</u>	<u>\$ 4,242</u>
 Receipts Over (Under)								
Disbursements	\$ (28,206)	\$ (5,197)	\$ (13,270)	\$ 18,678	\$ 4,721	\$ (2,811)	\$ (5,500)	\$ 14,430
 Cash, January 1 (restated)	<u>52,932</u>	<u>52,932</u>	<u>34,254</u>	<u>34,254</u>	<u>59,595</u>	<u>59,595</u>	<u>45,165</u>	<u>45,165</u>
 Cash, December 31	<u>\$ 24,726</u>	<u>\$ 47,735</u>	<u>\$ 20,984</u>	<u>\$ 52,932</u>	<u>\$ 64,316</u>	<u>\$ 56,784</u>	<u>\$ 39,665</u>	<u>\$ 59,595</u>

See Notes to the Financial Statements

**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Election Services Fund				Election Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	700	821	900	2,359	20,000	41,455	58,500	59,641
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 700</u>	<u>\$ 821</u>	<u>\$ 900</u>	<u>\$ 2,359</u>	<u>\$ 20,000</u>	<u>\$ 41,455</u>	<u>\$ 58,500</u>	<u>\$ 59,641</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	700	-	-	-	10,800	12,311	36,500	29,344
Services and Other	2,500	138	800	636	19,200	17,245	23,500	23,576
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,200</u>	<u>\$ 138</u>	<u>\$ 800</u>	<u>\$ 636</u>	<u>\$ 30,000</u>	<u>\$ 29,556</u>	<u>\$ 60,000</u>	<u>\$ 52,920</u>
 Receipts Over (Under)								
Disbursements	\$ (2,500)	\$ 683	\$ 100	\$ 1,723	\$ (10,000)	\$ 11,899	\$ (1,500)	\$ 6,721
 Cash, January 1	<u>7,136</u>	<u>7,136</u>	<u>5,413</u>	<u>5,413</u>	<u>9,739</u>	<u>9,739</u>	<u>3,018</u>	<u>3,018</u>
 Cash, December 31	<u>\$ 4,636</u>	<u>\$ 7,819</u>	<u>\$ 5,513</u>	<u>\$ 7,136</u>	<u>\$ (261)</u>	<u>\$ 21,638</u>	<u>\$ 1,518</u>	<u>\$ 9,739</u>

See Notes to the Financial Statements

**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Planning and Zoning Fund				Prosecuting Attorney Training Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	700	640	700	727
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ 640</u>	<u>\$ 700</u>	<u>\$ 727</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	3,000	1,549	3,000	1,055
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	21,200	21,200	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,200</u>	<u>\$ 21,200</u>	<u>\$ 3,000</u>	<u>\$ 1,549</u>	<u>\$ 3,000</u>	<u>\$ 1,055</u>
 Receipts Over (Under)								
Disbursements	\$ -	\$ -	\$ (21,200)	\$ (21,200)	\$ (2,300)	\$ (909)	\$ (2,300)	\$ (328)
 Cash, January 1	<u>-</u>	<u>-</u>	<u>21,200</u>	<u>21,200</u>	<u>3,043</u>	<u>3,043</u>	<u>3,371</u>	<u>3,371</u>
 Cash, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 743</u></u>	<u><u>\$ 2,134</u></u>	<u><u>\$ 1,071</u></u>	<u><u>\$ 3,043</u></u>

See Notes to the Financial Statements



**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Peace Officers Training Fund				Domestic Violence Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	10,000	3,873	6,900	11,310	700	646	600	742
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,000</u>	<u>\$ 3,873</u>	<u>\$ 6,900</u>	<u>\$ 11,310</u>	<u>\$ 700</u>	<u>\$ 646</u>	<u>\$ 600</u>	<u>\$ 742</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	8,400	3,185	6,900	3,582	1,450	1,450	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 8,400</u>	<u>\$ 3,185</u>	<u>\$ 6,900</u>	<u>\$ 3,582</u>	<u>\$ 1,450</u>	<u>\$ 1,450</u>	<u>\$ -</u>	<u>\$ -</u>
 Receipts Over (Under)								
Disbursements	\$ 1,600	\$ 688	\$ -	\$ 7,728	\$ (750)	\$ (804)	\$ 600	\$ 742
 Cash, January 1	<u>8,573</u>	<u>8,573</u>	<u>845</u>	<u>845</u>	<u>1,424</u>	<u>1,424</u>	<u>682</u>	<u>682</u>
 Cash, December 31	<u><u>\$ 10,173</u></u>	<u><u>\$ 9,261</u></u>	<u><u>\$ 845</u></u>	<u><u>\$ 8,573</u></u>	<u><u>\$ 674</u></u>	<u><u>\$ 620</u></u>	<u><u>\$ 1,282</u></u>	<u><u>\$ 1,424</u></u>

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**The County of Caldwell**  
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**Years ended December 31, 2011 & 2010**

	Prosecutor Collection Fund				Sheriff Civil Fees Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	500	53	-	-	21,000	19,655	22,500	21,864
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 500</u>	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 19,655</u>	<u>\$ 22,500</u>	<u>\$ 21,864</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	2,000	171	2,800	264	4,500	955	2,300	1,550
Capital Outlay	-	-	-	-	-	16,215	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,000</u>	<u>\$ 171</u>	<u>\$ 2,800</u>	<u>\$ 264</u>	<u>\$ 4,500</u>	<u>\$ 17,170</u>	<u>\$ 2,300</u>	<u>\$ 1,550</u>
 Receipts Over (Under)								
Disbursements	\$ (1,500)	\$ (118)	\$ (2,800)	\$ (264)	\$ 16,500	\$ 2,485	\$ 20,200	\$ 20,314
 Cash, January 1	<u>2,582</u>	<u>2,582</u>	<u>2,846</u>	<u>2,846</u>	<u>42,842</u>	<u>42,842</u>	<u>22,528</u>	<u>22,528</u>
 Cash, December 31	<u><u>\$ 1,082</u></u>	<u><u>\$ 2,464</u></u>	<u><u>\$ 46</u></u>	<u><u>\$ 2,582</u></u>	<u><u>\$ 59,342</u></u>	<u><u>\$ 45,327</u></u>	<u><u>\$ 42,728</u></u>	<u><u>\$ 42,842</u></u>

See Notes to the Financial Statements

**The County of Caldwell  
Kingston, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
Years ended December 31, 2011 & 2010**

	Record Storage Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	250	92	390	242
Other	6,100	5,565	6,600	5,421
Transfers In	-	-	-	-
Total Receipts	<u>\$ 6,350</u>	<u>\$ 5,657</u>	<u>\$ 6,990</u>	<u>\$ 5,663</u>
 <u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	5,000	1,471	7,000	6,108
Capital Outlay	-	3,860	-	-
Transfers Out	-	-	1,250	1,250
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 5,331</u>	<u>\$ 8,250</u>	<u>\$ 7,358</u>
 Receipts Over (Under)				
Disbursements	\$ 1,350	\$ 326	\$ (1,260)	\$ (1,695)
Cash, January 1 (restated)	<u>5,446</u>	<u>5,446</u>	<u>7,141</u>	<u>7,141</u>
Cash, December 31	<u><u>\$ 6,796</u></u>	<u><u>\$ 5,772</u></u>	<u><u>\$ 5,881</u></u>	<u><u>\$ 5,446</u></u>

See Notes to the Financial Statements

**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Prosecuting Attorney Bad Check Fund				HAVA Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	300	162	400	434	150	42	100	145
Other	14,700	11,201	39,000	15,771	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 15,000</u>	<u>\$ 11,363</u>	<u>\$ 39,400</u>	<u>\$ 16,205</u>	<u>\$ 150</u>	<u>\$ 42</u>	<u>\$ 100</u>	<u>\$ 145</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	10,000	7,124	34,000	10,557	3,500	-	3,500	-
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	7,430	7,430	14,360	7,430	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 17,430</u>	<u>\$ 14,554</u>	<u>\$ 48,360</u>	<u>\$ 17,987</u>	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ -</u>
 Receipts Over (Under)								
Disbursements	\$ (2,430)	\$ (3,191)	\$ (8,960)	\$ (1,782)	\$ (3,350)	\$ 42	\$ (3,400)	\$ 145
 Cash, January 1 (restated)	<u>12,808</u>	<u>12,808</u>	<u>14,590</u>	<u>14,590</u>	<u>3,704</u>	<u>3,704</u>	<u>3,559</u>	<u>3,559</u>
 Cash, December 31	<u><u>\$ 10,378</u></u>	<u><u>\$ 9,617</u></u>	<u><u>\$ 5,630</u></u>	<u><u>\$ 12,808</u></u>	<u><u>\$ 354</u></u>	<u><u>\$ 3,746</u></u>	<u><u>\$ 159</u></u>	<u><u>\$ 3,704</u></u>

See Notes to the Financial Statements

**The County of Caldwell**  
**Kingston, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Sheriff's Revolving Fund				Local Emergency Planning Commission Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	5,019	-	-	-	-
Other	-	6,221	-	-	-	-	-	2,242
Transfers In	3,000	-	-	-	-	-	10,000	-
Total Receipts	<u>\$ 3,000</u>	<u>\$ 6,221</u>	<u>\$ -</u>	<u>\$ 5,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 2,242</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	3,000	-	390	383	2,714	2,714	1,905	-
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ 383</u>	<u>\$ 2,714</u>	<u>\$ 2,714</u>	<u>\$ 1,905</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ 6,221	\$ (390)	\$ 4,636	\$ (2,714)	\$ (2,714)	\$ 8,095	\$ 2,242
Cash, January 1	<u>8,166</u>	<u>8,166</u>	<u>3,530</u>	<u>3,530</u>	<u>2,714</u>	<u>2,714</u>	<u>472</u>	<u>472</u>
Cash, December 31	<u>\$ 8,166</u>	<u>\$ 14,387</u>	<u>\$ 3,140</u>	<u>\$ 8,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,567</u>	<u>\$ 2,714</u>

See Notes to the Financial Statements

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Organized in 1836, the county of Caldwell was named after Captain Matthew Caldwell, a respected commander in the Revolutionary War. Caldwell County's government is a county-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Kingston. Caldwell County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, County Collector/Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

**Reporting Entity**

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Caldwell County, Missouri.

Caldwell County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Caldwell County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise Caldwell County's legal entity.

Certain elected County officials, such as the County Collector/Treasurer and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and were not audited.

**Basis of Presentation**

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Caldwell County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**Basis of Accounting**

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Basis of Accounting (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Caldwell County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Caldwell County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. In 2010, no funds had expenses exceeding their budget. In 2011, the Tax Maintenance Fund, the Sheriff Civil Fees Fund and the Record Storage Fund all had expenses exceeding their budget.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Caldwell County's boundaries for the calendar year 2011 and 2010, for the purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	63,942,243	77,852,880
Personal Property	22,755,030	22,857,000
Railroad and Utilities	39,032,730	30,201,142
	<u><u>125,730,003</u></u>	<u><u>130,911,022</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2011 and 2010 for the purpose of County taxation was as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$ 0.2323	\$ 0.2300

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Caldwell County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.



**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Interfund Transactions (continued)

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**Note 2 - Deposits and Investments**

Caldwell County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of Caldwell County's deposits was \$2,091,546 and \$1,642,654, respectively, and the bank balance was \$2,246,052 and \$2,085,020, respectively. At December 31, 2011 & 2010, 100% of Caldwell County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Deposits	\$ 1,676,546
Investments	415,000
Restricted Cash	<u>-</u>
Total Deposits & Investments as of December 31, 2011	<u><u>\$ 2,091,546</u></u>

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Deposits	\$ 1,227,654
Investments	415,000
Restricted Cash	<u>-</u>
Total Deposits & Investments as of December 31, 2010	<u><u>\$ 1,642,654</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Caldwell County's investment policy does not include custodial credit risk requirements. Caldwell County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011, and 2010.

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 2 - Deposits and Investments (continued)**

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Caldwell County or its agent but not in the government's name. Caldwell County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Caldwell County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Caldwell County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by Caldwell County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Caldwell County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Caldwell County's deposits were not exposed to concentration of investment credit risk for the years ended in December 31, 2011 and 2010.

**Note 3 - Long Term Debt**

Certificates of Participation

On March 1, 2007, the County issued a Certificate of Participation (COP) in the amount of \$2,500,000. The maturity of the COP is January 1, 2032 and the interest rate ranges from 4.625% to 4.875%. The Security Bank of Kansas is the holder of this COP.

<u>Debt</u>	<u>Balance at 1/1/2011</u>	<u>Amount Borrowed</u>	<u>Amount Repaid</u>	<u>Balance at 12/31/2011</u>	<u>Interest Paid During Year</u>
2007 COP's	2,380,000	-	(65,000)	2,315,000	114,333
Total	<u>2,380,000</u>	<u>-</u>	<u>(65,000)</u>	<u>2,315,000</u>	<u>114,333</u>

<u>Debt</u>	<u>Balance at 1/1/2010</u>	<u>Amount Borrowed</u>	<u>Amount Repaid</u>	<u>Balance at 12/31/2010</u>	<u>Interest Paid During Year</u>
2007 COP's	2,440,000	-	(60,000)	2,380,000	117,145
Total	<u>2,440,000</u>	<u>-</u>	<u>(60,000)</u>	<u>2,380,000</u>	<u>117,145</u>

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

**Note 3 - Long Term Debt (continued)**

2011 Amortizations			
Series 2007 Certificates of Participation Schedule			
Year	Principal	Interest	Total
2012	\$ 70,000	\$ 112,945	\$ 182,945
2013	75,000	109,939	184,939
2014	75,000	106,933	181,933
2015	80,000	103,695	183,695
2016-2032	1,950,000	1,082,368	3,032,368
Total	<u>\$ 2,250,000</u>	<u>\$ 1,515,880</u>	<u>\$ 3,765,880</u>

2010 Amortizations			
Series 2007 Certificates of Participation Schedule			
Year	Principal	Interest	Total
2011	\$ 65,000	\$ 115,720	\$ 180,720
2012	70,000	112,945	182,945
2013	75,000	109,939	184,939
2014	75,000	106,933	181,933
2015-2032	2,030,000	1,186,064	3,216,064
Total	<u>\$ 2,315,000</u>	<u>\$ 1,631,600</u>	<u>\$ 3,946,600</u>

Capital Leases

On September 10, 2003, the County entered into a capital lease for the jail in the amount of \$2,300,000 with payments due monthly with an interest rate of 5.75%. This lease is set to mature on July 8, 2019.

On March 30, 2005, the County entered into a capital lease for the jail in the amount of \$397,368 with payments due monthly with an interest rate of 6.25%. This lease is set to mature on July 8, 2019.

On July 31, 2008, the County entered into a capital lease for the jail in the amount of \$200,000 with payments due monthly with an interest rate of 5.75%. This lease is set to mature on July 8, 2019.

On April 18, 2011, the County entered into a capital lease that combined the balances of the previous three leases for the amount of \$1,932,927 with payments due monthly with an interest rate of 4.95%. This new lease is set to mature April 18, 2026.

A schedule of future minimum lease payments inclusive of principal and interest as of December 31, 2011 and 2010 is as follows:

2011		2010	
Year ended		Year ended	
December 31,	Payment	December 31,	Payment
2012	184,412	2011	296,501
2013	184,412	2012	296,501
2014	184,412	2013	296,501
2015	184,412	2014	296,501
2016-2026	1,905,591	2015-2019	1,334,255
	<u>\$ 2,643,239</u>		<u>\$ 2,520,259</u>

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 3 - Long Term Debt (continued)**

Capital Leases (continued)

Lease payments made by the County for the years ending December 31, 2011 and 2010, were \$216,383 and \$296,502, respectively.

Note Payable

On December 21, 2011, the County entered into a note for a new County vehicle for \$28,803 with payments due monthly with an interest rate of 4.00%.

A schedule of future minimum payments at of December 31, 2011 is as follows:

Year	Principal	Interest	Total
2012	8,461	902	9,363
2013	9,597	617	10,214
2014	9,993	221	10,214
Total	<u>\$ 28,051</u>	<u>\$ 1,739</u>	<u>\$ 29,790</u>

The County paid the first payment before the December 31, 2011 year end in advance of the January 2012 due date in the amount of \$851.

**Note 4 - Interfund Transfers**

Transfers between funds for the years ended December 31, 2011 and 2010 are as follows:

	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	\$ 81,423	\$ 288,000	\$ 112,450	\$ 528,000
Road & Bridge	-	70,000	-	90,000
Law Enforcement Sales Tax	282,430	-	517,430	-
Assessment	13,000	-	18,000	-
Tax Maintenance	-	11,423	-	-
Planning & Zoning	-	-	-	21,200
Record Storage	-	-	-	1,250
Prosecuting Attorney Bad Check	-	7,430	-	7,430
Total	<u>\$ 376,853</u>	<u>\$ 376,853</u>	<u>\$ 647,880</u>	<u>\$ 647,880</u>

**Note 5 - Change in Accounting Basis**

Caldwell County, Missouri, has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted by Missouri State Law. The accounting change had no effect on the beginning cash balances of the various county funds.

**The County of Caldwell  
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Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 6 - Local Government Employees Retirement System (LAGERS)**

Plan Description

Caldwell County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600- 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO, 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of Caldwell County contribute 4% of their gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rates for 2011 are 4.2% (general) and 3.6% (police) and for 2010, they are 4.3% (general) and 4.6% (police) of the annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

For 2011, the political subdivision's annual pension cost of \$66,767 for the County was equal to the actual contributions and the remaining net pension obligation. The 2011 annual required contribution (ARC) was determined as part of the February 28, 2009 and/or February 28, 2010 annual actuarial valuation using the entry age actuarial cost method. For 2010, the political subdivision's annual pension cost of \$70,290 for the County was equal to the required and actual contributions. The 2010 required contribution was determined as part of the February 29, 2008 and/or February 28, 2009 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included ( a ) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, ( b ) projected salary increases of 3.5% per year in 2011 and 4.0% per year in 2010, compounded annually, attributable to inflation, ( c ) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, ( d ) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women for 2011 and pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women for 2010 and ( e ) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women for 2011 and post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women for 2010. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for 2011 and 2010. The amortization period of February 29, 2008 was 16 years for the General division and 16 years for the Police division. The amortization period of February 28, 2009, was 15 years for the General division and 15 years for the Police division. The amortization period of February 28, 2010 was 16 years for the General division and 15 years for the Police division.

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

**Note 6 - Local Government Employees Retirement System (LAGERS) (continued)**

**Three Year Trend Information - 2011**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	71,344	100.0%	-
6/30/2010	70,290	100.0%	-
6/30/2011	66,767	100.0%	-

**Required Supplementary Information - Schedule of Funding Progress 2011**

Actuarial Valuation Date	( a ) Actuarial Value of Assets	( b ) Entry Age Actuarial Accrued Liability	( b-a ) Unfunded Accrued Liability (UAL)	( a/b ) Funded Ratio	( c ) Annual Covered Payroll	[ ( b -a ) / c ] UAL as a Percentage of Covered Payroll
2/28/2009	473,534	745,254	271,720	64%	1,703,178	16%
2/28/2010	622,205	841,389	219,184	74%	1,737,544	13%
2/28/2011	714,317	894,630	180,313	80%	1,495,458	12%

Note: The above assets and actuarial liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**Three Year Trend Information - 2010**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	71,576	100.0%	-
6/30/2009	71,344	100.0%	-
6/30/2010	70,290	100.0%	-

**Required Supplementary Information - Schedule of Funding Progress 2010**

Actuarial Valuation Date	( a ) Actuarial Value of Assets	( b ) Entry Age Actuarial Accrued Liability	( b-a ) Unfunded Accrued Liability (UAL)	( a/b ) Funded Ratio	( c ) Annual Covered Payroll	[ ( b -a ) / c ] UAL as a Percentage of Covered Payroll
2/29/2008	448,420	633,670	185,250	71%	1,612,908	11%
2/28/2009	473,534	745,254	271,720	64%	1,703,178	16%
2/28/2010	622,205	841,389	219,184	74%	1,737,544	13%

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 6 - Local Government Employees Retirement System (LAGERS) (continued)**

Note: The above assets and actuarial liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**Note 7 - County Employees Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 0% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF, employee contributions of approximately \$46,948 and \$46,666, respectively, for the years then ended.

**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 8 - Prosecuting Attorney Retirement Fund**

In accordance with state statute Chapter 56.807 RSMo, Caldwell County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Caldwell County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2011 and 2010.

**Note 9 - Post Employment Benefits**

Caldwell County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

**Note 10 - Claims, Commitments, and Contingencies**

Litigation

Caldwell County is involved in pending litigation as of December 31, 2011. The extent of the liability, if any, cannot be determined at this time.

Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. Unused sick time is not reimbursed. These have not been subjected to auditing procedures.

**Note 11 - Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.



**The County of Caldwell  
Kingston, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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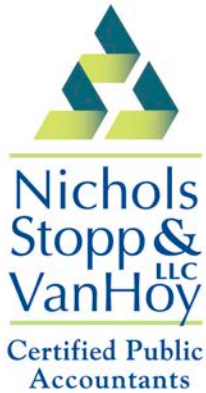
**Note 12 - Prior Period Adjustment**

Beginning cash balances of various funds has been restated due to income received in 2010 being posted to a prior year. The net effect of this adjustment will decrease the beginning cash and equivalents of the County. This adjustment will have no material effect on operations of the County.

Total cash and equivalents, as Previously stated December 31, 2009	\$ 1,193,314
Prior Period Adjustment	<u>(226,481)</u>
Total cash and equivalents, as Restated December 31, 2009	<u>\$ 966,833</u>

**Note 13 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 2, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Caldwell County, Missouri

We have audited the accompanying financial statements of Caldwell County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

### Internal Control Over Financial Reporting

Management of Caldwell County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Caldwell County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Caldwell County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Caldwell County, Missouri's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 11/10-1 through 11/10-3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

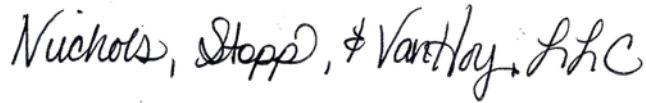
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caldwell County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

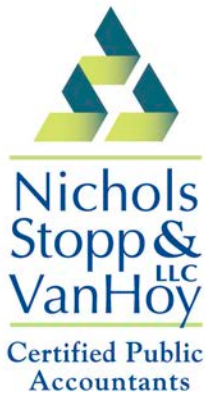
agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs 11/10-4.

Caldwell County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Caldwell County, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, L.L.C." The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 2, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Caldwell County, Missouri

Compliance

We have audited Caldwell County, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on Caldwell County, Missouri's major federal program for the years ended December 31, 2011 and 2010. Caldwell County, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Caldwell County, Missouri's management. Our responsibility is to express an opinion on Caldwell County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caldwell County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Caldwell County, Missouri's compliance with those requirements.

In our opinion, Caldwell County, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

Management of Caldwell County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Caldwell County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Caldwell County, Missouri's internal control over compliance.

10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11/10-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Caldwell County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Caldwell County, Missouri's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
July 2, 2012

**The County of Caldwell  
Kingston, Missouri  
Schedule of Expenditures of Federal Awards  
Years ended December 31, 2011 & 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2011	2010
<b>U.S. Department of Justice</b>				
Passed through state:				
Department of Public Safety - Crime Victim Assistance	16.575	2009-VOCA-103-0S	\$ 34,874	\$ 31,367
<b>U.S. Department of Transportation</b>				
Passed through state:				
Highway and Transportation Commission - Highway Planning and Construction	20.205	BRO-BO013(30)	217	378,671
Highway Planning and Construction	20.205	BRO-BO013(31)	820	232,216
Highway Planning and Construction	20.205	BRO-BO013(32)	-	10,785
Highway Planning and Construction	20.205	BRO-BO013(33)	1,180	266,814
Highway Planning and Construction	20.205	BRO-BO013(34)	44,601	-
Highway Planning and Construction	20.205	BRO-BO013(35)	42,838	-
Total U.S. Department of Transportation			89,656	888,486
<b>U.S. Department of Health and Human Services</b>				
Passed through state:				
Department of Social Services - Child Support Enforcement	93.563	N/A	81,728	82,948
<b>U.S. Department of Homeland Security</b>				
Passed through state:				
Department of Public Safety - Disaster Grants - Public Assistance Grants	97.036	DR-1934	7,324	65,696
Disaster Grants - Public Assistance Grants	97.036	DR-1961	1,691	-
Total U.S. Department of Homeland Security			9,015	65,696
Total Expenditures of Federal Awards			\$ 215,273	\$ 1,068,497

**The County of Caldwell]**  
**Kingston, Missouri**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Caldwell County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The Accompanying schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Note 2 - Subrecipients**

The County did not pass through any federal funds for the years ended December 31, 2011 and 2010.

**The County of Caldwell  
Kingston, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

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**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unqualified Regulatory Basis

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Any noncompliance material to financial  
statements noted?

\_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Type of auditor's report issued on  
compliance for major programs:

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510 (a) of Circular A-133?

  X   Yes \_\_\_\_\_ No

Identification of Major Programs:

CFDA  
Number  
20.205

Name of Federal Program or Cluster  
Highway Planning and Construction

Dollar threshold used to distinguish  
between type A and type B programs:

 \$300,000 

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No



**The County of Caldwell  
Kingston, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

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**Section 2 - Financial Statement Findings**

11/10-1 Condition: During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.

Effect: Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

Recommendation: We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

Management's Response: Our understanding of this finding is that our personnel does not acquire adequate skills to be able to properly prepare or take responsibility for the external financial statements or footnotes to the external financial statements. We do not totally agree with this finding. Caldwell County is a 3rd class county and we are not required by statute to have a county auditor. In addition, we do not have the funds readily available to hire an outside firm or outside personnel for this purpose.

11/10-2 Condition: Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: We plan to develop the required documentation based on the methods of internal control we already have in place.

11/10-3 Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

**The County of Caldwell  
Kingston, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

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**Section 2 - Financial Statement Findings (Continued)**

11/10-3 Management's Response: We plan to develop the required documentation based on the methods of risk control we practice on a daily basis.

11/10-4 Condition: During our audit, we noted several funds with actual expenditures that exceeded the budgeted expenditures.

Effect: Missouri Statutes requires Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The 2011 Budget has 3 funds that actual expenditures were more than the budgeted expenditure amounts. When preparing the budget, per RSMO 50.622, the county did not amend the budget because the funds did not actually receipt more than had been estimated when preparing the budget. Two of the funds went over budget because they are special funds that were actually transferring excessive funds to the county general revenue fund. In the future, we will see to it that funds stay within budgeted amounts so that amending the budget does not become necessary.

**Section 3 - Federal Award Findings and Questioned Cost**

11/10-5 Condition: The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

Criteria: OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

Cause: Management was unaware of the reporting requirements related to the Schedule of Expenditures of Federal Awards.

Effect: Federal expenditures reported on the SEFA were incorrect.

Recommendation: We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

Management's Response: We were unaware that the Child Support System was funded on a Federal Grant. We were under the impression that it was funded by the State. Now, we realize that it is 66% federally funded and 34% state funded. We will, in the future, include the federally funded portion in the Schedule of Expenditures of Federal Awards (SEFA).

**The County of Caldwell  
Kingston, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Caldwell County, Missouri, on the applicable findings in the prior audit report issued for the years ended December 31, 2009.

**Prior Year Financial Statement Findings**

**2009-1 County Financial Records**

The accounting records prepared by the County Clerk and County Treasurer for the two years ended December 31, 2009 do not reconcile to the accounting records. Cash balances did not reconcile as a result of differences between receipts and disbursements recorded by each official. The County Clerks office is preparing a reconciliation to reconcile with the County Treasurer, however, it does not appear that there was an accurate listing of outstanding checks and deposits in transit prepared with the bank reconciliation at the end of each month by either the County Treasurer or the County Clerk. As a result, errors on reports prepared by the County Treasurer and errors on actual amounts reported on the budgets prepared by the County Clerk went undetected. Both officials records were inaccurate at times and varied from actual revenues, expenditures and cash balances per audit. Due to the materiality of the differences, no audit adjustments were made to correct these errors. The differences between the cash balances per audit and the cash balances per the books are listed below.

	<u>2009</u>	<u>2008</u>
Cash Balance Per Audit All Funds	\$ 1,186,714	\$ 1,362,507
Cash Balance Per Books All Funds	<u>1,093,129</u>	<u>1,475,294</u>
Difference	<u>\$ 93,585</u>	<u>\$ (112,787)</u>

The County Treasurer made numerous transfers between county funds during the years ending December 31, 2009. All transfers made to and from the Law Enforcement Fund did have documented approval in the minutes from the County Commission, however, there were transfers made to other funds that did not have written authorization from the Commissioners. Written approval should be obtained from the County Commission before transfers are made between county funds and adequate supporting documentation for the transfer should be maintained for all transfers made.

**Recommendations:**

- A. The accounting records of the County Clerk and County Treasurer should be reconciled on a monthly basis and all outstanding checks and deposits in transit need to be checked for accuracy. Any differences between the reconciliation and the counties general ledger need to be fully investigated.
- B. The County Treasurer reconciles all financial reports to the bank balances and document detailed monthly bank reconciliations including listings of outstanding checks and adjusting items. In addition, the County Commission should review and approve all reconciliations and financial reports.
- C. The County Commission approve all interfund transfers that are made.

**The County of Caldwell  
Kingston, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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2009-1 ***Auditee Response***  
(cont.)

The County Commission, the County Treasurer and the County Clerk provided the following responses:

- A. The Treasurer and the Clerk will start reconciling accounts and determining that all outstanding checks and deposits in transit are accurate.
- B. The Treasurer will start reconciling bank records and determining that the reconciliation agrees with the financial reports and the County Clerk's records and any differences will be investigated.
- C. All transfers will be approved by the County Commissioners.

***Status***

This issue has been corrected by the County.

2009-2 **County Budgetary Practices**

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

The County Commission approved disbursements in excess of budgeted amounts for various funds during the years ending December 31, 2009. Further, there was no evidence that the County Commission nor the County Clerk monitored disbursements adequately to ensure actual disbursements did not exceed budgeted amounts. Actual expenditures exceeded budgeted amounts in the following funds:

Amount Over Budget

	2009	2008
County Revenue Fund	\$ -	\$ 154,137
Road and Bridge Fund	-	121,482
Road and Bridge Sales Tax Fund	-	38,929
Tax Maintenance	-	3,189
Election Fund	-	19,889
Peace Officers Training Fund	4,915	1,933
Domestic Violence Fund	-	628
Sheriff Civil Fees Fund	2,234	12,949
Record Storage Fund	724	2,234
Prosecuting Attorney Bad Check Fund	26,328	28,124
LEPC Fund	2,141	-

If there are any valid reasons which necessitate excess disbursement, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

**The County of Caldwell  
Kingston, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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2009-2    **Recommendations:**

(cont.)

- A. Ensure that the expenditures are kept within the amounts budgeted. If additional funds are received or expended which could not be estimated when the budget was adopted, the County Commission should amend the budget by following the procedures established by state law.

***Auditee Response***

The County Commission provided the following responses:

- A. The County Commission will begin monitoring the budget on a monthly basis and amendments will be made on an as needed basis.

***Status***

Various funds had expenditures in excess of the budget, therefore, this finding is repeated in the current audit period as 11/10-4.

2009-3    **Expenditure Procedures**

It was noted during the test of expenditures that the mileage reimbursements from county employees did not include documentation showing proof of mileage along with a breakdown of each trip made by the employee. Receipts for meals were also not attached to the request for reimbursement for some of the reimbursements tested.

It is also recommended that all invoices be stamped as paid along with the date the invoice was paid, along with the initials of an individual approving the expenditure. This allows the county to keep from paying the invoices twice.

**Recommendations:**

- A. The County Clerk and County Commission adopt policies for travel reimbursements that include adequate documentation for mileage and requiring receipts in order to obtain meal reimbursements.
- B. The County Clerk will stamp all invoices as paid including the date of initials of an official approving the invoice.

**The County of Caldwell  
Kingston, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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2009-3 ***Auditee Response:***  
(cont.)

The County Commission and County Clerk provided the following responses:

- A. The County Commission and County Clerk will implement new procedures for the handling of travel and meal reimbursements.
- B. The County Clerk will begin procedures to mark invoices as paid and receive the initials of an approving official.

**Status**

This issue has been corrected by the County.

**Prior Year Federal Award Findings and Questioned Cost**

2009-4 **Federal Financial Reporting**

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

Expenditures related to some of the grants were reported incorrectly or not included on the schedule. The audited SEFA was adjusted to correct these errors. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission should take steps to ensure all departments and/or officials properly track federal awards to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

**Recommendations:**

- A. The County Commission and County Clerk work to ensure the SEFA is complete and accurate.

***Auditee Response:***

The County Commission and County Clerk provided this response:

- A. The County Commission and County Clerk will work hard to ensure that the SEFA is accurate and complete.

**Status**

The SEFA still contained errors in the current audit period, therefore, this finding is repeated as 11/10-5.



**Thomas A. Schweich**  
Missouri State Auditor

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# Harrisonville Towne Center Transportation Development District



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September 2012  
Report No. 2012-104

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Harrisonville Towne Center Transportation Development District

Financial Reporting	The Harrisonville Towne Center Transportation Development District (TDD) monies have not been accounted for in a separate fund, so the TDD's annual financial statements have not accurately reported cash balances and bond payments. State law requires TDD sales tax revenues be deposited in a special trust fund to be used solely for such designated purpose.
Outstanding Debt	The TDD does not monitor how much is still owed on the debt associated with the TDD construction. The principal amount of this debt should be tracked to ensure the TDD sales taxes are used only to pay the debt service costs related to the TDD projects, and the sales tax should be repealed when the TDD's portion has been repaid.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Harrisonville Towne Center Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



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# Harrisonville Towne Center

## Transportation Development District

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Paul McKnight, Chairman  
and  
Board of Directors  
Harrisonville Towne Center Transportation Development District  
Harrisonville, Missouri

We have audited certain operations of the Harrisonville Towne Center Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Harrisonville Towne Center Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Wayne Kauffman, MBA

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# Harrisonville Towne Center

## Transportation Development District

### Management Advisory Report - State Auditor's Findings

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#### **1. Financial Reporting**

Transportation Development District (TDD) monies have not been accounted for in a separate fund and, as a result, cash balances and bond payments have not been accurately reported by the TDD in annual financial statements.

The City of Harrisonville provides accounting services for the TDD. Some transactions related to the TDD are not identified as TDD transactions in the Tax Increment Financing (TIF) Towne Center Fund. The city includes TDD receipts and disbursements in the TIF Towne Center Fund which also accounts for TIF receipts and disbursements. As a result, the cash balance for the TDD and the TDD's portion of the debt service payments is not maintained. Cash balances were not reported accurately in the TDD financial statements during the 5 years ended December 31, 2011, and debt service payments reported during the 5 years ended December 31, 2011, were overstated by approximately \$5,600.

Also, state law requires 50 percent of TDD sales tax collections be forwarded to the TIF. However, 50 percent of TDD sales tax receipts transferable to the TIF are not identified in the TIF Towne Center Fund. Although the city did not identify these amounts, the amounts were properly disclosed in the TDD financial statements for the 5 years ended December 31, 2011.

Section 238.235.1(6), RSMo, specifies TDD sales tax revenues shall be deposited in a special trust fund and shall be used solely for such designated purpose. Separate fund accounting and accurate financial statements are necessary to demonstrate compliance with state law, and to provide for accurate reporting of the financial position and activities of the TDD.

#### **Recommendation**

The TDD Board work with City of Harrisonville officials to establish a fund to separately account for TDD receipts, disbursements, and cash balances. Cash balances as of each fiscal year end and debt service payment totals should be accurately reported in the TDD's financial statements.

#### **Auditee's Response**

*The TDD Board provided the following written response:*

*The TDD Board, through its General Counsel, will work with the City of Harrisonville pursuant to the Cooperative Agreement between the District and the City to ensure that TDD revenues are properly accounted for and that such funds are and have been properly applied to TDD-eligible costs. Additionally, prior to the end of the Fiscal Year, the TDD will provide revised financial statements for years 2007-2011 to resolve the issue noted in the last sentence of the second paragraph of this section.*



## 2. Outstanding Debt

Based on discussions with the City of Harrisonville Finance Director, no procedures have been established to ensure TDD receipts are used only to pay the TDD's share of bond financing costs.

The TDD does not monitor debt balances associated with the TDD construction. The City of Harrisonville issued \$8.63 million in TIF/TDD revenue bonds, a portion of which were used to reimburse the developer for costs incurred and to fund additional transportation project costs. Information obtained from city officials indicated the developer incurred TDD project costs totaling approximately \$1.2 million.

As of December 31, 2011, the TDD financial statements indicate the TDD has made debt service payments totaling approximately \$233,800 although our analysis of the city fund ledger indicates the TDD has only made payments totaling approximately \$224,800. This \$9,000 overstatement was caused by incorrectly reporting debt service payments in the financial statements totaling approximately \$5,600 (see MAR finding number 1), and by incorrectly including end-of-year adjusting journal entries in the 2008 financial statements totaling approximately \$3,400.

To ensure TDD sales taxes are used only to pay debt service costs related to the TDD projects, procedures should be established to track the principal owed by the TDD on the debt, and the sales tax should be repealed when the TDD's portion of the principal has been repaid.

Section 238.235.1(6), RSMo, requires all district sales tax revenues designated for transportation development be used solely for the purposes established pursuant to the Missouri Development Transportation Development District Act (Sections 238.200 to 238.275, RSMo).

## Recommendation

The TDD Board establish procedures to track the remaining debt obligations and take necessary actions to repeal the sales tax when the TDD debt obligations have been repaid.

## Auditee's Response

*The TDD Board provided the following written response:*

*The TDD Board, through its General Counsel, will work with the City of Harrisonville pursuant to the Cooperative Agreement between the District and the City to establish procedures to track the remaining debt obligations of the District so that the Board may monitor payments and be prepared at the appropriate time to repeal the District sales tax and wind-down the District. The TDD Board wishes to note that the District has produced enough revenue to retire only 19% of the debt since inception, so this is expected to be many years before any action to repeal the District sales tax becomes necessary. Additionally, prior to the end of the Fiscal Year, the TDD will provide revised financial statements for years 2007-2011 to*



Harrisonville Towne Center  
Transportation Development District  
Management Advisory Report - State Auditor's Findings

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*resolve the issue noted in the preceding section and the third paragraph of this section.*

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# Harrisonville Towne Center

## Transportation Development District

### Organization and Statistical Information

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The Harrisonville Towne Center Transportation Development District (TDD) is located in the City of Harrisonville. The TDD was organized in December 2005 by petition of the owners/developer of property within the proposed district. The TDD Board of Directors and officers include three property owners and two representatives from the City of Harrisonville. The retail establishments within the TDD collect and remit the TDD sales tax monies to the Missouri Department of Revenue (DOR). In turn, the DOR remits the monies to the TDD.

The district was formed for the purpose of improving and widening Commercial Street to accommodate a center turn lane north of U.S. Highway 71, adding a full access intersection to Harrisonville Towne Center, and constructing three right-hand turn lanes into Harrisonville Towne Center with an initial estimated cost of \$1.1 million. Actual project costs totaled approximately \$1.2 million at completion in August 2007. The Board of Directors passed a 1-cent (1 percent) sales tax for 25 years. The City of Harrisonville and the Missouri Department of Transportation are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

The TDD is located in a Tax Increment Financing (TIF) redevelopment district. The City of Harrisonville issued TIF bonds of \$8.6 million, to be funded by TIF revenues from payments in lieu of tax, TDD sales tax revenues, and city appropriations. The TDD is responsible for only a portion of the TIF bonds because TDD projects were limited to TIF roadway improvements.

The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

#### District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were:

Ivan Stull, Executive Director  
Paul McKnight, Chairman  
David Dickerson, Vice-Chairman  
Angela Ellsworth, Secretary  
Brad Gebhard, Treasurer

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Harrisonville Towne Center Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



Harrisonville Towne Center  
Transportation Development District  
Organization and Statistical Information

## Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, 2011, as reported by the TDD to the State Auditor's office follows:

	Year Ended December 31,	
	2011	2010
Receipts:		
Sales taxes	\$ 121,157	98,204
Interest	97	61
Total Receipts	121,254	98,265
Disbursements:		
Operating	1,574	1,691
Debt service (1)	53,990	33,845
Administrative	1,212	982
Tax increment financing	60,578	49,102
Legal fees	3,900	12,645
Total Disbursements	121,254	98,265
Receipts Over (Under) Disbursements	0	0
Beginning Cash Balance	0	0
Ending Cash Balance (2)	\$ 0	0

(1) Reported debt service payments should total approximately \$50,000 for the year ended December 31, 2011, and \$31,000 for the year ended December 31, 2010. See MAR finding number 1.

(2) Reported cash balances should total approximately \$5,600 at December 31, 2011, and \$1,400 at December 31, 2010. See MAR finding number 1.





**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Oregon County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Oregon County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-103

**The County of Oregon  
Alton, Missouri  
Independent Auditor's Report and Financial Statements  
Years Ended December 31, 2011 & 2010**



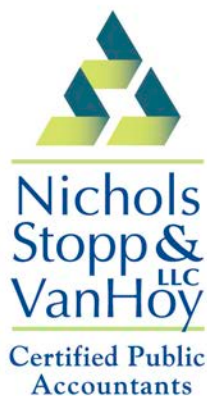
**The County of Oregon  
Alton, Missouri  
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## Independent Auditor's Report

To the County Commission and  
Officeholders of Oregon County, Missouri



We have audited the accompanying financial statements of Oregon County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Oregon County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Oregon County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Oregon County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we also have issued our report dated July 9, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

Our audits were performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
July 9, 2012

**The County of Oregon**  
**Alton, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2011**

<u>Fund</u>	Cash and Equivalents January 1, 2011	Receipts 2011	Disbursements 2011	Cash and Equivalents December 31, 2011
General Revenue	\$ 389,235	\$ 1,372,967	\$ 1,211,323	\$ 550,879
Road and Bridge	551,145	928,349	816,501	662,993
Assessment	-	125,932	125,932	-
Unclaimed Fees	23	218	-	241
Prosecuting Attorney Training	2,263	293	35	2,521
Sheriff Legal Education	1,556	1,542	1,546	1,552
Federal Law Enforcement	271	3	-	274
River/Forest Patrol	-	6,871	6,871	-
Prosecuting Attorney Special	2,302	25	-	2,327
Tax Maintenance	14,713	10,346	7,431	17,628
Recorder User Fee	62,798	7,638	10,886	59,550
Operation Cash Crop	-	991	991	-
Law Enforcement Donation	762	406	-	1,168
Prosecuting Attorney Bad Check	1,881	8,810	9,001	1,690
Election	4,495	2,207	1,593	5,109
Forest Services Title III	424	69,757	28,337	41,844
Senior Citizens Service Board	7,652	42,932	43,805	6,779
Sheriff Revolving	-	5,547	1,365	4,182
Sheriff Civil	6,106	10,307	3,362	13,051
Inmate Security	-	638	-	638
Senate Bill 40 Board	59,026	86,703	70,100	75,629
Total	\$ 1,104,652	\$ 2,682,482	\$ 2,339,079	\$ 1,448,055

See Notes to Financial Statements

**The County of Oregon**  
**Alton, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2010**

<u>Fund</u>	Cash and Equivalents January 1, 2010	Receipts 2010	Disbursements 2010	Cash and Equivalents December 31, 2010
General Revenue	\$ 365,975	\$ 1,263,252	\$ 1,239,992	\$ 389,235
Road and Bridge	306,407	960,737	715,999	551,145
Assessment	3	123,514	123,517	-
Unclaimed Fees	181	10	168	23
Prosecuting Attorney Training	2,006	257	-	2,263
Sheriff Legal Education	1,114	1,503	1,061	1,556
Federal Law Enforcement	268	3	-	271
River/Forest Patrol	-	11,739	11,739	-
Prosecuting Attorney Special	2,276	26	-	2,302
Tax Maintenance	11,361	10,233	6,881	14,713
Recorder User Fee	88,943	7,400	33,545	62,798
Operation Cash Crop	1,245	1,515	2,760	-
Law Enforcement Donation	470	312	20	762
Prosecuting Attorney Bad Check	3,838	8,658	10,615	1,881
Election	5,697	2,230	3,432	4,495
Forest Services Title III	1,036	29,093	29,705	424
Senior Citizens Service Board	6,566	41,319	40,233	7,652
Sheriff Revolving	-	-	-	-
Sheriff Civil	9,458	9,953	13,305	6,106
Inmate Security	-	-	-	-
Senate Bill 40 Board	46,510	82,616	70,100	59,026
Total	<u>\$ 853,354</u>	<u>\$ 2,554,370</u>	<u>\$ 2,303,072</u>	<u>\$ 1,104,652</u>

See Notes to Financial Statements

**The County of Oregon**  
**Alton, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	General Revenue Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 85,650	\$ 103,384	\$ 79,300	\$ 92,557
Sales Taxes	840,000	884,080	835,000	852,151
Intergovernmental	188,880	217,020	137,290	153,933
Charges for Services	126,935	127,102	127,308	120,567
Interest	10,000	8,369	15,000	10,778
Other	23,172	32,519	27,813	29,996
Transfers In	1,553	493	163	3,270
Total Receipts	<u>\$ 1,276,190</u>	<u>\$ 1,372,967</u>	<u>\$ 1,221,874</u>	<u>\$ 1,263,252</u>
<u>Disbursements</u>				
County Commission	\$ 32,380	\$ 28,888	\$ 33,120	\$ 30,996
County Clerk	83,779	83,775	84,446	83,703
Elections	18,950	18,949	54,135	54,135
Buildings and Grounds	59,056	59,056	55,337	52,514
Employee Fringe Benefits	157,500	160,548	171,900	163,443
Treasurer	36,745	36,339	37,307	36,975
Collector	70,799	70,267	65,694	65,517
Recorder of Deeds	42,800	42,624	37,179	36,793
Circuit Clerk	27,500	22,216	22,685	21,002
Associate Circuit Court	-	-	1,212	-
Court Administration	1,722	1,104	1,722	1,054
Public Administrator	38,000	37,542	38,450	37,838
Sheriff	310,325	310,325	306,662	306,659
Jail	45,850	43,896	69,850	63,651
Prosecuting Attorney	92,198	90,220	91,613	87,492
Juvenile Officer	61,418	59,331	61,418	58,138
Coroner	11,500	10,679	11,500	10,028
Health and Welfare	500	-	500	-
Other	103,337	105,760	140,925	105,172
Transfers Out	36,445	29,804	39,609	24,882
Emergency Fund	40,000	-	40,000	-
Total Disbursements	<u>\$ 1,270,804</u>	<u>\$ 1,211,323</u>	<u>\$ 1,365,264</u>	<u>\$ 1,239,992</u>
Receipts Over (Under)				
Disbursements	\$ 5,386	\$ 161,644	\$ (143,390)	\$ 23,260
Cash, January 1	<u>389,235</u>	<u>389,235</u>	<u>365,975</u>	<u>365,975</u>
Cash, December 31	<u><u>\$ 394,621</u></u>	<u><u>\$ 550,879</u></u>	<u><u>\$ 222,585</u></u>	<u><u>\$ 389,235</u></u>

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**The County of Oregon**  
**Alton, Missouri**  
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**Years Ended December 31, 2011 & 2010**

	Road and Bridge Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 142,725	\$ 154,531	\$ 142,725	\$ 145,460
Sales Taxes	-	-	-	-
Intergovernmental	596,914	602,353	596,775	604,804
Charges for Services	-	-	-	-
Interest	5,000	7,703	8,000	5,912
Other	105	163,762	150,190	204,561
Transfers In	-	-	-	-
Total Receipts	<u>\$ 744,744</u>	<u>\$ 928,349</u>	<u>\$ 897,690</u>	<u>\$ 960,737</u>
<u>Disbursements</u>				
Salaries	\$ 301,418	\$ 305,044	\$ 301,418	\$ 302,716
Employee Fringe Benefits	96,700	96,086	105,630	106,527
Supplies	129,500	129,813	129,500	106,778
Insurance	15,000	12,857	30,000	3,858
Road & Bridge Materials	94,500	61,291	105,500	54,150
Equipment Repairs	30,000	17,783	30,000	26,122
Rentals	2,000	1,908	2,000	3,351
Equipment Purchases	240,000	75,000	125,000	15,800
R & B Construction	79,000	76,101	81,500	76,820
Other Expenditures	12,860	40,618	16,560	19,877
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 1,000,978</u>	<u>\$ 816,501</u>	<u>\$ 927,108</u>	<u>\$ 715,999</u>
Receipts Over (Under)				
Disbursements	\$ (256,234)	\$ 111,848	\$ (29,418)	\$ 244,738
Cash, January 1	<u>551,145</u>	<u>551,145</u>	<u>306,407</u>	<u>306,407</u>
Cash, December 31	<u><u>\$ 294,911</u></u>	<u><u>\$ 662,993</u></u>	<u><u>\$ 276,989</u></u>	<u><u>\$ 551,145</u></u>

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**Years Ended December 31, 2011 & 2010**

	Assessment Fund				Unclaimed Fees Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	90,718	95,020	88,718	97,318	10	216	50	9
Charges for Services	-	-	-	-	-	-	-	-
Interest	200	128	200	164	-	2	1	1
Other	1,500	980	1,505	1,150	-	-	-	-
Transfers In	36,445	29,804	39,609	24,882	-	-	-	-
Total Receipts	<u>\$ 128,863</u>	<u>\$ 125,932</u>	<u>\$ 130,032</u>	<u>\$ 123,514</u>	<u>\$ 10</u>	<u>\$ 218</u>	<u>\$ 51</u>	<u>\$ 10</u>
 <u>Disbursements</u>								
Salaries	\$ 80,505	\$ 76,931	\$ 79,505	\$ 76,208	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	24,228	22,573	25,800	24,618	-	-	-	-
Materials and Supplies	8,430	9,036	9,030	7,059	-	-	-	-
Services and Other	5,700	5,238	6,200	6,780	-	-	167	167
Capital Outlay	10,000	12,154	9,500	8,346	-	-	-	-
Transfers Out	-	-	-	506	-	-	1	1
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 128,863</u>	<u>\$ 125,932</u>	<u>\$ 130,035</u>	<u>\$ 123,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168</u>	<u>\$ 168</u>
 Receipts Over (Under)								
Disbursements	\$ -	\$ -	\$ (3)	\$ (3)	\$ 10	\$ 218	\$ (117)	\$ (158)
 Cash, January 1	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>23</u>	<u>23</u>	<u>181</u>	<u>181</u>
 Cash, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33</u></u>	<u><u>\$ 241</u></u>	<u><u>\$ 64</u></u>	<u><u>\$ 23</u></u>

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**Years Ended December 31, 2011 & 2010**

	Prosecuting Attorney Training Fund				Sheriff Legal Education Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	900	1,056	50	929
Charges for Services	250	267	310	233	-	-	-	-
Interest	25	26	15	24	10	16	10	16
Other	-	-	-	-	600	470	2,100	558
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 275</u>	<u>\$ 293</u>	<u>\$ 325</u>	<u>\$ 257</u>	<u>\$ 1,510</u>	<u>\$ 1,542</u>	<u>\$ 2,160</u>	<u>\$ 1,503</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,000	35	1,000	-	2,000	1,546	1,500	1,061
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,000</u>	<u>\$ 35</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 1,546</u>	<u>\$ 1,500</u>	<u>\$ 1,061</u>
 Receipts Over (Under)								
Disbursements	\$ (725)	\$ 258	\$ (675)	\$ 257	\$ (490)	\$ (4)	\$ 660	\$ 442
 Cash, January 1	<u>2,263</u>	<u>2,263</u>	<u>2,006</u>	<u>2,006</u>	<u>1,556</u>	<u>1,556</u>	<u>1,114</u>	<u>1,114</u>
 Cash, December 31	<u><u>\$ 1,538</u></u>	<u><u>\$ 2,521</u></u>	<u><u>\$ 1,331</u></u>	<u><u>\$ 2,263</u></u>	<u><u>\$ 1,066</u></u>	<u><u>\$ 1,552</u></u>	<u><u>\$ 1,774</u></u>	<u><u>\$ 1,556</u></u>

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**Years Ended December 31, 2011 & 2010**

	Federal Law Enforcement Fund				River/Forest Patrol Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	10,500	6,871	9,000	11,739
Charges for Services	-	-	-	-	-	-	-	-
Interest	1	3	1	3	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 10,500</u>	<u>\$ 6,871</u>	<u>\$ 9,000</u>	<u>\$ 11,739</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 4,200	\$ 3,004	\$ 3,900	\$ 4,507
Employee Fringe Benefits	-	-	-	-	352	236	352	349
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	250	-	-	-	5,050	3,178	6,487	5,402
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	898	453	1,000	1,481
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,500</u>	<u>\$ 6,871</u>	<u>\$ 11,739</u>	<u>\$ 11,739</u>
 Receipts Over (Under)								
Disbursements	\$ (249)	\$ 3	\$ 1	\$ 3	\$ -	\$ -	\$ (2,739)	\$ -
 Cash, January 1	<u>271</u>	<u>271</u>	<u>268</u>	<u>268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u><u>\$ 22</u></u>	<u><u>\$ 274</u></u>	<u><u>\$ 269</u></u>	<u><u>\$ 271</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,739)</u></u>	<u><u>\$ -</u></u>

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**Years Ended December 31, 2011 & 2010**

	Prosecuting Attorney Special Fund				Tax Maintenance Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	9,000	10,160	9,000	10,075
Charges for Services	-	-	200	-	-	-	-	-
Interest	25	25	20	26	160	186	200	158
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 220</u>	<u>\$ 26</u>	<u>\$ 9,160</u>	<u>\$ 10,346</u>	<u>\$ 9,200</u>	<u>\$ 10,233</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	1,230	1,252
Services and Other	1,000	-	1,000	-	6,080	3,007	4,750	2,087
Capital Outlay	-	-	-	-	9,500	4,424	8,000	3,542
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 15,580</u>	<u>\$ 7,431</u>	<u>\$ 13,980</u>	<u>\$ 6,881</u>
 Receipts Over (Under)								
Disbursements	\$ (975)	\$ 25	\$ (780)	\$ 26	\$ (6,420)	\$ 2,915	\$ (4,780)	\$ 3,352
 Cash, January 1	<u>2,302</u>	<u>2,302</u>	<u>2,276</u>	<u>2,276</u>	<u>14,713</u>	<u>14,713</u>	<u>11,361</u>	<u>11,361</u>
 Cash, December 31	<u><u>\$ 1,327</u></u>	<u><u>\$ 2,327</u></u>	<u><u>\$ 1,496</u></u>	<u><u>\$ 2,302</u></u>	<u><u>\$ 8,293</u></u>	<u><u>\$ 17,628</u></u>	<u><u>\$ 6,581</u></u>	<u><u>\$ 14,713</u></u>

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**Years Ended December 31, 2011 & 2010**

	Recorder User Fee Fund				Operation Cash Crop Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,500	991	1,500	1,500
Charges for Services	7,000	6,937	7,500	6,666	-	-	-	-
Interest	650	701	850	734	14	-	10	15
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 7,650</u>	<u>\$ 7,638</u>	<u>\$ 8,350</u>	<u>\$ 7,400</u>	<u>\$ 1,514</u>	<u>\$ 991</u>	<u>\$ 1,510</u>	<u>\$ 1,515</u>
 <u>Disbursements</u>								
Salaries	\$ 8,625	\$ 8,561	\$ -	\$ -	\$ 950	\$ 883	\$ 750	\$ 954
Employee Fringe Benefits	734	620	-	-	76	68	210	74
Materials and Supplies	860	128	-	33,545	-	-	-	-
Services and Other	-	-	32,600	-	450	-	645	450
Capital Outlay	2,000	1,577	1,000	-	-	-	-	-
Transfers Out	-	-	-	-	38	40	-	1,282
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 12,219</u>	<u>\$ 10,886</u>	<u>\$ 33,600</u>	<u>\$ 33,545</u>	<u>\$ 1,514</u>	<u>\$ 991</u>	<u>\$ 1,605</u>	<u>\$ 2,760</u>
 Receipts Over (Under)								
Disbursements	\$ (4,569)	\$ (3,248)	\$ (25,250)	\$ (26,145)	\$ -	\$ -	\$ (95)	\$ (1,245)
 Cash, January 1	<u>62,798</u>	<u>62,798</u>	<u>88,943</u>	<u>88,943</u>	<u>-</u>	<u>-</u>	<u>1,245</u>	<u>1,245</u>
 Cash, December 31	<u><u>\$ 58,229</u></u>	<u><u>\$ 59,550</u></u>	<u><u>\$ 63,693</u></u>	<u><u>\$ 62,798</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,150</u></u>	<u><u>\$ -</u></u>

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	Law Enforcement Donation Fund				Prosecuting Attorney Bad Check Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	9,000	8,772	10,000	8,604
Interest	4	10	4	8	50	38	100	54
Other	1,000	396	1,000	304	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,004</u>	<u>\$ 406</u>	<u>\$ 1,004</u>	<u>\$ 312</u>	<u>\$ 9,050</u>	<u>\$ 8,810</u>	<u>\$ 10,100</u>	<u>\$ 8,658</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 3,371	\$ 3,371	\$ 6,500	\$ 4,556
Employee Fringe Benefits	-	-	-	-	3,686	3,348	2,090	3,872
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,200	-	470	20	-	1,214	3,200	2,187
Capital Outlay	-	-	-	-	1,000	1,068	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 470</u>	<u>\$ 20</u>	<u>\$ 8,057</u>	<u>\$ 9,001</u>	<u>\$ 11,790</u>	<u>\$ 10,615</u>
 Receipts Over (Under)								
Disbursements	\$ (196)	\$ 406	\$ 534	\$ 292	\$ 993	\$ (191)	\$ (1,690)	\$ (1,957)
 Cash, January 1	<u>762</u>	<u>762</u>	<u>470</u>	<u>470</u>	<u>1,881</u>	<u>1,881</u>	<u>3,838</u>	<u>3,838</u>
 Cash, December 31	<u>\$ 566</u>	<u>\$ 1,168</u>	<u>\$ 1,004</u>	<u>\$ 762</u>	<u>\$ 2,874</u>	<u>\$ 1,690</u>	<u>\$ 2,148</u>	<u>\$ 1,881</u>

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**Years Ended December 31, 2011 & 2010**

	Election Fund				Forest Service Title III Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	69,000	69,198	29,938	28,938
Charges for Services	-	-	-	-	-	-	-	-
Interest	67	51	150	67	150	559	100	155
Other	1,954	2,156	1,704	2,163	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,021</u>	<u>\$ 2,207</u>	<u>\$ 1,854</u>	<u>\$ 2,230</u>	<u>\$ 69,150</u>	<u>\$ 69,757</u>	<u>\$ 30,038</u>	<u>\$ 29,093</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 21,862	\$ 21,561	\$ 21,862	\$ 21,862
Employee Fringe Benefits	-	-	-	-	7,183	6,776	7,848	7,843
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	2,085	1,593	2,955	3,432	-	-	-	-
Capital Outlay	500	-	500	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 2,585</u>	<u>\$ 1,593</u>	<u>\$ 3,455</u>	<u>\$ 3,432</u>	<u>\$ 29,045</u>	<u>\$ 28,337</u>	<u>\$ 29,710</u>	<u>\$ 29,705</u>
 Receipts Over (Under)								
Disbursements	\$ (564)	\$ 614	\$ (1,601)	\$ (1,202)	\$ 40,105	\$ 41,420	\$ 328	\$ (612)
 Cash, January 1	<u>4,495</u>	<u>4,495</u>	<u>5,697</u>	<u>5,697</u>	<u>424</u>	<u>424</u>	<u>1,036</u>	<u>1,036</u>
 Cash, December 31	<u>\$ 3,931</u>	<u>\$ 5,109</u>	<u>\$ 4,096</u>	<u>\$ 4,495</u>	<u>\$ 40,529</u>	<u>\$ 41,844</u>	<u>\$ 1,364</u>	<u>\$ 424</u>

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**Years Ended December 31, 2011 & 2010**

	Senior Citizens Service Board				Sheriff Revolving Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ 42,500	\$ 42,932	\$ 43,500	\$ 41,319	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	8,200	5,532	-	-
Interest	-	-	-	-	-	15	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 42,500</u>	<u>\$ 42,932</u>	<u>\$ 43,500</u>	<u>\$ 41,319</u>	<u>\$ 8,200</u>	<u>\$ 5,547</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	2,000	227	-	-
Services and Other	47,750	43,805	45,250	40,233	2,000	1,138	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 47,750</u>	<u>\$ 43,805</u>	<u>\$ 45,250</u>	<u>\$ 40,233</u>	<u>\$ 4,000</u>	<u>\$ 1,365</u>	<u>\$ -</u>	<u>\$ -</u>
 Receipts Over (Under)								
Disbursements	\$ (5,250)	\$ (873)	\$ (1,750)	\$ 1,086	\$ 4,200	\$ 4,182	\$ -	\$ -
 Cash, January 1	<u>7,652</u>	<u>7,652</u>	<u>6,566</u>	<u>6,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Cash, December 31	<u>\$ 2,402</u>	<u>\$ 6,779</u>	<u>\$ 4,816</u>	<u>\$ 7,652</u>	<u>\$ 4,200</u>	<u>\$ 4,182</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

**The County of Oregon**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Sheriff Civil Fund				Inmate Security Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	9,500	10,194	8,900	9,873	-	-	-	-
Charges for Services	-	-	-	-	833	636	-	-
Interest	80	113	35	80	-	2	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 9,580</u>	<u>\$ 10,307</u>	<u>\$ 8,935</u>	<u>\$ 9,953</u>	<u>\$ 833</u>	<u>\$ 638</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	7,500	3,109	1,513	2,967	200	-	-	-
Capital Outlay	6,000	253	12,287	10,338	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 13,500</u>	<u>\$ 3,362</u>	<u>\$ 13,800</u>	<u>\$ 13,305</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Receipts Over (Under)								
Disbursements	\$ (3,920)	\$ 6,945	\$ (4,865)	\$ (3,352)	\$ 633	\$ 638	\$ -	\$ -
 Cash, January 1	<u>6,106</u>	<u>6,106</u>	<u>9,458</u>	<u>9,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Cash, December 31	<u><u>\$ 2,186</u></u>	<u><u>\$ 13,051</u></u>	<u><u>\$ 4,593</u></u>	<u><u>\$ 6,106</u></u>	<u><u>\$ 633</u></u>	<u><u>\$ 638</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements

**The County of Oregon**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Senate Bill 40 Board			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 70,100	\$ 83,714	\$ 81,000	\$ 81,731
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	-	2,989	850	885
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 70,100</u>	<u>\$ 86,703</u>	<u>\$ 81,850</u>	<u>\$ 82,616</u>
 <u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	70,100	70,100	70,100	70,100
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 70,100</u>	<u>\$ 70,100</u>	<u>\$ 70,100</u>	<u>\$ 70,100</u>
 Receipts Over (Under)				
Disbursements	\$ -	\$ 16,603	\$ 11,750	\$ 12,516
 Cash, January 1	<u>59,026</u>	<u>59,026</u>	<u>46,510</u>	<u>46,510</u>
Cash, December 31	<u>\$ 59,026</u>	<u>\$ 75,629</u>	<u>\$ 58,260</u>	<u>\$ 59,026</u>

See Notes to Financial Statements

**The County of Oregon**  
**Alton, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Organized in 1845, the county of Oregon was named after the Oregon Territory and is home to a large area of the Mark Twain National Forest. Oregon County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is Alton. Oregon County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, an ex officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Oregon County, Missouri, the Oregon County Senior Citizens Service Board, and the Oregon County Senate Bill 40 Board.

Oregon County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Oregon County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise Oregon County's legal entity. The Oregon County Senior Citizen's Service Board and Senate Bill 40 Board are controlled by separate boards and are also included under the control of Oregon County.

Certain elected County officials, such as the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Oregon County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the County's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**The County of Oregon**  
**Alton, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Basis of Accounting (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Oregon County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Oregon County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The Operation Cash Crop Fund for 2010 and the Prosecuting Attorney Bad Check Fund for 2011 had expenses exceeding their respective budgets. Also, the County budgeted a deficit for the River/Forest Patrol Fund for 2010.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

Budgets are prepared and adopted on the cash basis of accounting.

**The County of Oregon**  
**Alton, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Oregon County's boundaries for the calendar year 2011 and 2010, for the purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	55,833,489	54,689,786
Personal Property	21,254,417	21,192,779
Railroad and Utilities	7,137,334	7,105,527
	<u>84,225,240</u>	<u>\$ 82,988,092</u>

The tax levy respectively per \$100 assessed valuation of tangible taxable property for the calendar year 2011 and 2010, for the purpose of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$ 0.1046	\$ 0.1128
Road and Bridge Fund	0.2680	0.2690
Senate Bill 40 Board	0.0998	0.1000
Senior Citizens Service Board	0.0499	0.0500

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Oregon County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

**The County of Oregon**  
**Alton, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**Note 2 - Deposits and Investments**

Oregon County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of Oregon County's deposits was \$1,448,055 and \$1,104,652 and the bank balance was \$1,508,837 and \$1,150,455, respectively. As of December 31, 2011, 100% of Oregon County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Deposits	\$ 623,246
Investments	824,809
Restricted Cash	<u>-</u>
Total Deposits & Investments as of December 31, 2011	<u><u>\$ 1,448,055</u></u>

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Deposits	\$ 280,038
Investments	824,614
Restricted Cash	<u>-</u>
Total Deposits & Investments as of December 31, 2010	<u><u>\$ 1,104,652</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Oregon County's investment policy does not include custodial credit risk requirements. Oregon County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011, and 2010.

**The County of Oregon**  
**Alton, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 2 - Deposits and Investments (continued)**

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Oregon County or its agent but not in the government's name. Oregon County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Oregon County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Oregon County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by Oregon County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Oregon County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Oregon County's deposits were not exposed to concentration of investment credit risk for the years ended in December 31, 2011 and 2010.

**Note 3 - Interfund Transfers**

Transfers between funds for the years ended December 31, 2011 and 2010 are as follows:

Fund	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	\$ 493	\$ 29,804	\$ 3,270	\$ 24,882
Assessment	29,804	-	24,882	506
Unclaimed Fees	-	-	-	1
River/Forest Patrol	-	453	-	1,481
Operation Cash Crop	-	40	-	1,282
Total	<u>\$ 30,297</u>	<u>\$ 30,297</u>	<u>\$ 28,152</u>	<u>\$ 28,152</u>



**The County of Oregon**  
**Alton, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 4 - County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees. The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits:

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO, 65102, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF, employee contributions of \$36,052 and \$31,655, respectively, for the years then ended.

**Note 5 - Prosecuting Attorney Retirement Fund**

In accordance with state statute Chapter 56.807 RSMo, Oregon County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Oregon County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2011 and 2010.

**The County of Oregon**  
**Alton, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 6 - Post-Employment Benefits**

Oregon County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by Oregon County.

**Note 7 - Claims, Commitments and Contingencies**

Litigation

Oregon County is involved in pending litigation as of December 31, 2011. The extent of the liability, if any, cannot be determined at this time.

Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. Sick time is paid for at the rate of 50% for any unused sick pay up to 240 hours. These have not been subjected to auditing procedures.

**Note 8 - Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**Note 9 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 9, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Oregon County, Missouri

We have audited the accompanying financial statements of Oregon County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

Management of Oregon County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Oregon County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oregon County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oregon County, Missouri's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 11/10-1 through 11/10-3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

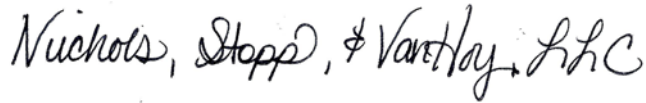
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oregon County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs 11/10-4.

Oregon County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Oregon County, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHay, L.L.C." The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 9, 2012



10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Oregon County, Missouri

Compliance

We have audited Oregon County, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on Oregon County, Missouri's major federal program for the years ended December 31, 2011 and 2010. Oregon County, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oregon County, Missouri's management. Our responsibility is to express an opinion on Oregon County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oregon County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oregon County, Missouri's compliance with those requirements.

In our opinion, Oregon County, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

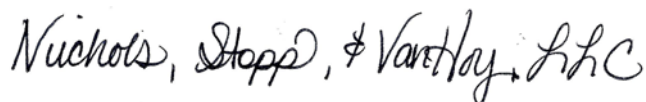
Management of Oregon County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oregon County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oregon County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11/10-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Oregon County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Oregon County, Missouri's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 9, 2012

**The County of Oregon**  
**Alton, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Years Ended December 31, 2011 & 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2011	2010
<b>U.S. Department of Agriculture</b>				
Passed through state:				
Office of Administration -				
Schools and Roads - Grants to States	10.665	N/A	\$ 535,539	\$ 534,514
Community Facilities Loans and Grants	10.766	3570-B	-	22,500
Total U.S. Department of Agriculture			535,539	557,014
<b>U.S. Department of the Interior</b>				
Direct Program:				
Payments in Lieu of Taxes	15.226	N/A	80,575	96,035
<b>U.S. Department of Justice</b>				
Passed through state:				
Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	-	7,409
<b>General Services Administration</b>				
Passed through state:				
Office of Secretary of State -				
Election Reform Payments	39.011	N/A	2,513	-
<b>Election Assistance Commission</b>				
Passed through state:				
Office of Secretary of State -				
Help America Vote Act Requirements Payments	90.401	N/A	1,382	-
<b>U.S. Department of Health and Human Services</b>				
Passed through state:				
Department of Social Services -				
Child Support Enforcement	93.563	Title IV-D	452	584
<b>U.S. Department of Homeland Security</b>				
Passed through state:				
Department of Public Safety -				
Disaster Grants - Public Assistance Grants	97.036	FEMA-1980-DR-MO	150,922	-
Emergency Management Performance Grants	97.042	EMW-2011-EP-00004-S01	1,500	3,000
Total U.S. Department of Homeland Security			152,422	3,000
Total Expenditures of Federal Awards			\$ 772,883	\$ 664,042

**The County of Oregon**  
**Alton, Missouri**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Years Ended December 31, 2011 & 2010**

---

**Note 1 - Summary of Significant Accounting Policies**

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Oregon County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The Accompanying schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Note 2 - Subrecipients**

The County did not pass through any federal funds for the years ended December 31, 2011 & 2010.



**The County of Oregon**  
**Alton, Missouri**  
**Schedule of Findings and Questioned Cost**  
**Years ended December 31, 2011 & 2010**

---

**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unqualified Regulatory Basis

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Any noncompliance material to financial  
statements noted?

\_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Type of auditor's report issued on  
compliance for major programs:

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510 (a) of Circular A-133?

  X   Yes \_\_\_\_\_ No

Identification of Major Programs:

CFDA  
Number

10.665

Name of Federal Program or Cluster  
Schools and Roads - Grants to States

Dollar threshold used to distinguish  
between type A and type B programs:

 \$300,000 

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

**The County of Oregon**  
**Alton, Missouri**  
**Schedule of Findings and Questioned Cost**  
**Years ended December 31, 2011 & 2010**

---

**Section 2 - Financial Statement Findings**

11/10-1 Condition: During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.

Effect: Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

Recommendation: We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

Management's Response: County officials are taking the necessary steps to prepare the financial statements in the future.

11/10-2 Condition: Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The county will develop the required internal control documentation.

11/10-3 Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: The county will develop the required internal control documentation.

**The County of Oregon**  
**Alton, Missouri**  
**Schedule of Findings and Questioned Cost**  
**Years ended December 31, 2011 & 2010**

---

**Section 2 - Financial Statement Findings (Continued)**

11/10-4 Condition: During our audit, we noted two funds with actual expenditures that exceeded the budgeted expenditures and one fund which was deficit budgeted.

Effect: Missouri statutes requires Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The County will continue to monitor budgets and amend as needed.

**Section 3 - Federal Award Findings and Questioned Cost**

11/10-5 Condition: The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

Criteria: OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

Cause: Management was unaware of the reporting requirements related to the Schedule of Expenditures of Federal Awards.

Effect: Federal expenditures reported on the SEFA were incorrect.

Recommendation: We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

Management's Response: The county will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

**The County of Oregon**  
**Alton, Missouri**  
**Follow-Up to Prior Audit Findings for an Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

---

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Oregon County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009.

**Prior Year Financial Statement Findings**

08/09-1 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During the planning phase of the audit the client informed us that we would be preparing the audited financials.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: The County should consider alternatives available that would eliminate this situation.

Management's Response: County officials are taking the necessary steps to prepare the financial statements in the future.

Status: The County has not corrected this finding and it will be repeated as 11/10-1 in the current year.

08/09-02 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During walkthroughs the County informed us that internal control documentation had not been prepared.

Effect: The SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

**The County of Oregon**  
**Alton, Missouri**  
**Follow-Up to Prior Audit Findings for an Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

---

08/09-02 Recommendation: We recommend that the County develop the required internal control documentation. In (Cont.) addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County will develop the required internal control documentation.

Status: The County has not corrected this finding and it will be repeated as 11/10-2 in the current year.

08/09-03 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During walkthroughs the County informed us that the necessary risk assessment documentation had not been prepared.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management's Response: The County will develop the required internal control documentation.

Status: The County has not corrected this finding and it will be repeated as 11/10-3 in the current year.

**Prior Year Federal Award Findings and Questioned Cost**

SA 08/09-01 Information on the Federal Program: The Schedule of Expenditures of Federal Awards contained errors.

Criteria: OMB Circular A-133 requires the auditee to prepare the Schedule of Federal Expenditures and Awards.

Condition: Through auditing procedures, we were able to correct and support the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA). Prior to these corrections, the Schedule of Expenditure of Federal Awards (SEFA) was prepared with incorrect financial information.

Questions Cost: Not applicable

**The County of Oregon**  
**Alton, Missouri**  
**Follow-Up to Prior Audit Findings for an Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

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SA 08/09-01 Context: During the audit of federal programs we discovered a number of errors related to the Schedule of (Cont.) Expenditures of Federal Awards (SEFA).

Effect: No control monitoring or control over federal expenditures reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed on the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Views of Responsible Officials and Planned Corrective Actions: The County will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

Status: The County has not corrected this finding and it will be repeated as 11/10-5 in the current year.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Livingston County, Missouri

The Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-102

**The County of Livingston  
Chillicothe, Missouri  
Financial Statements, Independent Auditor's Reports and Supplementary Information  
December 31, 2011 & 2010**





**The County of Livingston  
Chillicothe, Missouri  
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## Independent Auditor's Report



10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

To the County Commission and  
Officeholders of Livingston County, Missouri

We have audited the accompanying financial statements of Livingston County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Livingston County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

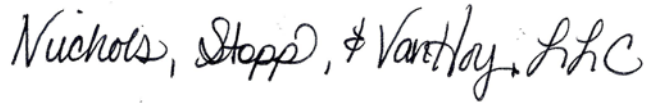
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Livingston County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Livingston County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1. As described in Note 5, the County has changed its basis of accounting for the years ended December 31, 2011 and 2010.

In accordance with Government Auditing Standards, we also have issued our report dated July 2, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 2, 2012

**The County of Livingston**  
**Chillicothe, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year ended December 30, 2011**

<u>Fund</u>	Cash and Equivalents January 1, 2011	Receipts 2011	Disbursements 2011	Cash and Equivalents December 31, 2011
General Revenue	\$ 374,140	\$ 1,956,368	\$ 1,969,638	\$ 360,870
Road & Bridge	26,255	968,342	931,970	62,627
Law Enforcement Sales Tax	84,571	549,992	518,063	116,500
Use Tax	108,778	131,492	67,983	172,287
Assessment	14,786	197,911	205,520	7,177
Law Enforcement Training	1,370	4,171	6,109	(568)
Prosecuting Attorney Check	1,056	11,885	8,141	4,800
Special Election	-	84,658	45,621	39,037
Prosecuting Attorney Training	258	595	1,034	(181)
Child Abuse	147	1,661	-	1,808
Recorder Special	19,693	27,248	25,450	21,491
Local Emergency Planning Commission	6,870	11,821	14,237	4,454
Planning & Zoning	1,535	3	1,536	2
Enhanced 911	22,210	172,132	170,314	24,028
Election Services	9,634	10,230	10,598	9,266
Victim Advocates Grant	(2,925)	33,562	30,637	-
Grant	-	2,403	94	2,309
Concealed Carry Permit	421	1,927	-	2,348
Civil Fees	11,901	23,850	34,327	1,424
Collector's Tax Maintenance	25,753	22,233	16,814	31,172
Inmate Security	107	3,042	1,250	1,899
Senate Bill 40 Board	269,202	328,460	249,841	347,821
Total	<u>\$ 975,762</u>	<u>\$ 4,543,986</u>	<u>\$ 4,309,177</u>	<u>\$ 1,210,571</u>

See Notes to Financial Statements

**The County of Livingston**  
**Chillicothe, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2010**

<u>Fund</u>	Cash and Equivalents January 1, 2010	Receipts 2010	Disbursements 2010	Cash and Equivalents December 31, 2010
General Revenue	\$ 247,907	\$ 2,264,221	\$ 2,137,988	\$ 374,140
Road & Bridge	134,906	1,844,990	1,953,641	26,255
Law Enforcement Sales Tax	59,588	484,304	459,321	84,571
Use Tax	61,962	119,344	72,528	108,778
Assessment	1,011	202,306	188,531	14,786
Law Enforcement Training	1,297	5,107	5,034	1,370
Prosecuting Attorney Check	(874)	9,856	7,926	1,056
Special Election	-	38,673	38,673	-
Prosecuting Attorney Training	498	841	1,081	258
Child Abuse	60	955	868	147
Recorder Special	22,276	7,696	10,279	19,693
Local Emergency Planning Commission	5,405	5,104	3,639	6,870
Planning & Zoning	-	1,742	207	1,535
Enhanced 911	8,584	179,658	166,032	22,210
Election Services	2,359	14,357	7,082	9,634
Victim Advocates Grant	-	-	2,925	(2,925)
Grant	(4,508)	20,011	15,503	-
Concealed Carry Permit	808	1,418	1,805	421
Civil Fees	14,482	27,926	30,507	11,901
Collector's Tax Maintenance	21,525	20,357	16,129	25,753
Inmate Security	-	107	-	107
Senate Bill 40 Board	220,983	178,150	129,931	269,202
Total	<u>\$ 798,269</u>	<u>\$ 5,427,123</u>	<u>\$ 5,249,630</u>	<u>\$ 975,762</u>

See Notes to Financial Statements

**The County of Livingston**  
**Chillicothe, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	General Revenue Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 17,000	\$ 14,418	\$ 17,000	\$ 17,902
Sales Taxes	934,418	987,303	927,064	953,488
Intergovernmental	479,519	497,220	423,850	537,558
Charges for Services	440,000	422,992	414,000	455,106
Interest	2,000	2,985	1,000	5,482
Other	31,000	31,450	216,870	234,685
Transfers In	-	-	60,000	60,000
Total Receipts	<u>\$ 1,903,937</u>	<u>\$ 1,956,368</u>	<u>\$ 2,059,784</u>	<u>\$ 2,264,221</u>
<u>Disbursements</u>				
County Commission	\$ 146,038	\$ 146,037	\$ 148,500	\$ 148,490
County Clerk	131,313	120,457	113,368	106,688
Elections	68,004	59,934	148,266	137,211
Building and Grounds	153,053	148,569	153,400	153,350
Employee Fringe Benefits	114,300	110,935	112,452	111,898
County Treasurer	138,561	129,849	120,994	109,882
Recorder of Deeds	87,107	86,731	82,456	81,157
Circuit Clerk	22,950	26,202	25,482	22,504
Court Administration	18,000	7,329	12,400	11,441
Public Administrator	79,086	75,183	68,368	68,315
Sheriff	378,048	378,047	366,145	360,771
Jail	322,625	289,169	338,290	325,053
Prosecuting Attorney	120,615	120,614	107,600	107,585
Juvenile Officer	87,538	56,311	87,819	43,220
Planning and Zoning	10,000	4,440	10,000	11,195
Health and Welfare	19,367	25,867	20,100	20,087
Other	149,407	154,246	135,872	130,844
Transfers Out	47,063	18,962	31,757	-
Emergency Fund	165,254	10,756	188,300	188,297
Total Disbursements	<u>\$ 2,258,329</u>	<u>\$ 1,969,638</u>	<u>\$ 2,271,569</u>	<u>\$ 2,137,988</u>
Receipts Over (Under)				
Disbursements	\$ (354,392)	\$ (13,270)	\$ (211,785)	\$ 126,233
Cash, January 1	<u>374,140</u>	<u>374,140</u>	<u>247,907</u>	<u>247,907</u>
Cash, December 31	<u>\$ 19,748</u>	<u>\$ 360,870</u>	<u>\$ 36,122</u>	<u>\$ 374,140</u>

See Notes to the Financial Statements

**The County of Livingston**  
**Chillicothe, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Road and Bridge Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 80,000	\$ 79,126	\$ 80,000	\$ 78,978
Sales Taxes	-	-	-	-
Intergovernmental	1,929,085	884,197	1,804,204	1,754,767
Charges for Services	-	-	-	-
Interest	1,500	983	-	1,785
Other	2,500	4,036	2,500	9,460
Transfers In	34,369	-	-	-
Total Receipts	<u>\$ 2,047,454</u>	<u>\$ 968,342</u>	<u>\$ 1,886,704</u>	<u>\$ 1,844,990</u>
<u>Disbursements</u>				
Salaries	\$ 76,862	\$ 76,862	\$ 75,662	\$ 75,662
Employee Fringe Benefits	29,247	27,065	30,164	29,870
Supplies	23,000	20,836	24,400	17,341
Insurance	11,000	11,479	11,000	10,127
Road & Bridge Materials	107,500	85,714	116,500	68,138
Equipment Repairs	10,000	20,781	7,500	9,837
Rentals	7,500	1,460	7,500	1,640
Equipment Purchases	9,000	4,809	5,000	578
R & B Construction	1,790,000	680,963	1,674,242	1,674,617
Other Expenditures	9,600	2,001	8,900	5,831
Transfers Out	-	-	60,000	60,000
Total Disbursements	<u>\$ 2,073,709</u>	<u>\$ 931,970</u>	<u>\$ 2,020,868</u>	<u>\$ 1,953,641</u>
Receipts Over (Under)				
Disbursements	\$ (26,255)	\$ 36,372	\$ (134,164)	\$ (108,651)
Cash, January 1	<u>26,255</u>	<u>26,255</u>	<u>134,906</u>	<u>134,906</u>
Cash, December 31	<u><u>\$ -</u></u>	<u><u>\$ 62,627</u></u>	<u><u>\$ 742</u></u>	<u><u>\$ 26,255</u></u>

See Notes to the Financial Statements

**The County of Livingston**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Law Enforcement Sales Tax Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	467,191	493,595	463,052	476,726
Intergovernmental	141,912	-	600	-
Charges for Services	-	-	-	-
Interest	300	581	600	361
Other	7,000	55,816	7,000	7,217
Transfers In	-	-	-	-
Total Receipts	<u>\$ 616,403</u>	<u>\$ 549,992</u>	<u>\$ 471,252</u>	<u>\$ 484,304</u>
 <u>Disbursements</u>				
Sheriff	\$ 513,577	\$ 354,037	\$ 338,011	\$ 299,295
Prosecuting Attorney	35,041	27,311	36,395	38,676
Juvenile Officer	5,000	67	18,000	731
Coroner	33,473	46,450	34,658	32,249
Employee Fringe Benefits	21,517	21,330	28,000	26,519
Other	79,500	58,031	75,750	61,851
Transfers Out	-	-	-	-
Emergency Fund	-	10,837	-	-
Total Disbursements	<u>\$ 688,108</u>	<u>\$ 518,063</u>	<u>\$ 530,814</u>	<u>\$ 459,321</u>
 Receipts Over (Under)				
Disbursements	\$ (71,705)	\$ 31,929	\$ (59,562)	\$ 24,983
 Cash, January 1	<u>84,571</u>	<u>84,571</u>	<u>59,588</u>	<u>59,588</u>
 Cash, December 31	<u><u>\$ 12,866</u></u>	<u><u>\$ 116,500</u></u>	<u><u>\$ 26</u></u>	<u><u>\$ 84,571</u></u>

See Notes to the Financial Statements



**The County of Livingston**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Use Tax Fund				Assessment Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	90,000	99,117	100,000	86,930	-	-	-	-
Intergovernmental	-	-	-	355	187,567	196,528	168,400	201,405
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	775	-	459	100	333	100	460
Other	-	-	-	-	500	1,050	1,000	441
Transfers In	31,600	31,600	31,600	31,600	12,694	-	31,757	-
Total Receipts	<u>\$ 121,600</u>	<u>\$ 131,492</u>	<u>\$ 131,600</u>	<u>\$ 119,344</u>	<u>\$ 200,861</u>	<u>\$ 197,911</u>	<u>\$ 201,257</u>	<u>\$ 202,306</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 114,104	\$ 114,103	\$ 112,304	\$ 110,682
Employee Fringe Benefits	-	-	-	-	31,984	29,761	33,362	34,679
Materials and Supplies	-	-	-	-	26,425	25,015	14,050	14,809
Services and Other	85,000	66,483	101,000	72,528	43,134	36,641	42,552	28,361
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	70,000	1,500	70,000	-	-	-	-	-
Total Disbursements	<u>\$ 155,000</u>	<u>\$ 67,983</u>	<u>\$ 171,000</u>	<u>\$ 72,528</u>	<u>\$ 215,647</u>	<u>\$ 205,520</u>	<u>\$ 202,268</u>	<u>\$ 188,531</u>
 Receipts Over (Under)								
Disbursements	\$ (33,400)	\$ 63,509	\$ (39,400)	\$ 46,816	\$ (14,786)	\$ (7,609)	\$ (1,011)	\$ 13,775
 Cash, January 1	<u>108,778</u>	<u>108,778</u>	<u>61,962</u>	<u>61,962</u>	<u>14,786</u>	<u>14,786</u>	<u>1,011</u>	<u>1,011</u>
 Cash, December 31	<u>\$ 75,378</u>	<u>\$ 172,287</u>	<u>\$ 22,562</u>	<u>\$ 108,778</u>	<u>\$ -</u>	<u>\$ 7,177</u>	<u>\$ -</u>	<u>\$ 14,786</u>

See Notes to the Financial Statements

**The County of Livingston**  
**Chillicothe, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Law Enforcement Training Fund				Prosecuting Attorney Check Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	5,710	4,165	6,000	5,101	9,820	11,880	9,900	9,833
Interest	-	6	-	6	20	5	-	23
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,710</u>	<u>\$ 4,171</u>	<u>\$ 6,000</u>	<u>\$ 5,107</u>	<u>\$ 9,840</u>	<u>\$ 11,885</u>	<u>\$ 9,900</u>	<u>\$ 9,856</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 4,680	\$ 4,680	\$ 4,530	\$ 4,530
Employee Fringe Benefits	-	-	-	-	2,001	1,951	2,019	1,955
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	6,110	6,109	7,250	5,034	1,461	1,510	1,451	1,441
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 6,110</u>	<u>\$ 6,109</u>	<u>\$ 7,250</u>	<u>\$ 5,034</u>	<u>\$ 8,142</u>	<u>\$ 8,141</u>	<u>\$ 8,000</u>	<u>\$ 7,926</u>
Receipts Over (Under)								
Disbursements	\$ (400)	\$ (1,938)	\$ (1,250)	\$ 73	\$ 1,698	\$ 3,744	\$ 1,900	\$ 1,930
Cash, January 1	<u>1,370</u>	<u>1,370</u>	<u>1,297</u>	<u>1,297</u>	<u>1,056</u>	<u>1,056</u>	<u>(874)</u>	<u>(874)</u>
Cash, December 31	<u>\$ 970</u>	<u>\$ (568)</u>	<u>\$ 47</u>	<u>\$ 1,370</u>	<u>\$ 2,754</u>	<u>\$ 4,800</u>	<u>\$ 1,026</u>	<u>\$ 1,056</u>

See Notes to the Financial Statements

**The County of Livingston**  
**Chillicothe, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Special Election Fund				Prosecuting Attorney Training Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	84,658	-	38,673	850	594	1,000	838
Interest	-	-	-	-	-	1	-	3
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 84,658</u>	<u>\$ -</u>	<u>\$ 38,673</u>	<u>\$ 850</u>	<u>\$ 595</u>	<u>\$ 1,000</u>	<u>\$ 841</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	10,854	-	23,051	-	-	-	-
Services and Other	-	34,767	-	15,622	1,100	1,034	1,100	1,081
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 45,621</u>	<u>\$ -</u>	<u>\$ 38,673</u>	<u>\$ 1,100</u>	<u>\$ 1,034</u>	<u>\$ 1,100</u>	<u>\$ 1,081</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ 39,037	\$ -	\$ -	\$ (250)	\$ (439)	\$ (100)	\$ (240)
Cash, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258</u>	<u>258</u>	<u>498</u>	<u>498</u>
Cash, December 31	<u>\$ -</u>	<u>\$ 39,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ (181)</u>	<u>\$ 398</u>	<u>\$ 258</u>

See Notes to the Financial Statements

**The County of Livingston**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Child Abuse Fund				Recorder Special Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	1,200	1,657	1,100	952	8,500	27,102	7,000	7,515
Interest	-	4	-	3	200	146	150	181
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,200</u>	<u>\$ 1,661</u>	<u>\$ 1,100</u>	<u>\$ 955</u>	<u>\$ 8,700</u>	<u>\$ 27,248</u>	<u>\$ 7,150</u>	<u>\$ 7,696</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,200	-	1,160	868	28,300	25,450	10,300	10,279
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 1,160</u>	<u>\$ 868</u>	<u>\$ 28,300</u>	<u>\$ 25,450</u>	<u>\$ 10,300</u>	<u>\$ 10,279</u>
 Receipts Over (Under)								
Disbursements	\$ -	\$ 1,661	\$ (60)	\$ 87	\$ (19,600)	\$ 1,798	\$ (3,150)	\$ (2,583)
 Cash, January 1	<u>147</u>	<u>147</u>	<u>60</u>	<u>60</u>	<u>19,693</u>	<u>19,693</u>	<u>22,276</u>	<u>22,276</u>
 Cash, December 31	<u><u>\$ 147</u></u>	<u><u>\$ 1,808</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 147</u></u>	<u><u>\$ 93</u></u>	<u><u>\$ 21,491</u></u>	<u><u>\$ 19,126</u></u>	<u><u>\$ 19,693</u></u>

See Notes to the Financial Statements

**The County of Livingston**  
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**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Local Emergency Planning Commission Fund				Planning and Zoning Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	27	-	58	-	3	-	1
Other	9,888	11,794	5,000	5,046	11,000	-	11,000	1,741
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 9,888</u>	<u>\$ 11,821</u>	<u>\$ 5,000</u>	<u>\$ 5,104</u>	<u>\$ 11,000</u>	<u>\$ 3</u>	<u>\$ 11,000</u>	<u>\$ 1,742</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	14,238	14,237	9,500	3,639	12,535	-	11,000	207
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	1,536	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 14,238</u>	<u>\$ 14,237</u>	<u>\$ 9,500</u>	<u>\$ 3,639</u>	<u>\$ 12,535</u>	<u>\$ 1,536</u>	<u>\$ 11,000</u>	<u>\$ 207</u>
 Receipts Over (Under)								
Disbursements	\$ (4,350)	\$ (2,416)	\$ (4,500)	\$ 1,465	\$ (1,535)	\$ (1,533)	\$ -	\$ 1,535
 Cash, January 1	<u>6,870</u>	<u>6,870</u>	<u>5,405</u>	<u>5,405</u>	<u>1,535</u>	<u>1,535</u>	<u>-</u>	<u>-</u>
 Cash, December 31	<u>\$ 2,520</u>	<u>\$ 4,454</u>	<u>\$ 905</u>	<u>\$ 6,870</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,535</u>

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**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Enhanced 911 Fund				Election Services Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	11,235	5,068	15,000	9,618
Charges for Services	-	-	-	-	1,500	2,149	7,500	3,432
Interest	200	287	-	231	30	63	30	28
Other	177,270	171,845	177,700	179,427	-	1,414	1,800	1,279
Transfers In	-	-	-	-	-	1,536	-	-
Total Receipts	<u>\$ 177,470</u>	<u>\$ 172,132</u>	<u>\$ 177,700</u>	<u>\$ 179,658</u>	<u>\$ 12,765</u>	<u>\$ 10,230</u>	<u>\$ 24,330</u>	<u>\$ 14,357</u>
 <u>Disbursements</u>								
Salaries	\$ 78,684	\$ 76,058	\$ 77,980	\$ 75,076	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	28,704	23,863	29,407	26,411	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	36,955	38,793	42,841	32,945	12,400	10,598	28,000	7,082
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	31,600	31,600	31,600	31,600	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 175,943</u>	<u>\$ 170,314</u>	<u>\$ 181,828</u>	<u>\$ 166,032</u>	<u>\$ 12,400</u>	<u>\$ 10,598</u>	<u>\$ 28,000</u>	<u>\$ 7,082</u>
 Receipts Over (Under)								
Disbursements	\$ 1,527	\$ 1,818	\$ (4,128)	\$ 13,626	\$ 365	\$ (368)	\$ (3,670)	\$ 7,275
 Cash, January 1	<u>22,210</u>	<u>22,210</u>	<u>8,584</u>	<u>8,584</u>	<u>10,730</u>	<u>9,634</u>	<u>3,884</u>	<u>2,359</u>
 Cash, December 31	<u>\$ 23,737</u>	<u>\$ 24,028</u>	<u>\$ 4,456</u>	<u>\$ 22,210</u>	<u>\$ 11,095</u>	<u>\$ 9,266</u>	<u>\$ 214</u>	<u>\$ 9,634</u>

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**The County of Livingston**  
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**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Victim Advocates Grant Fund				Grant Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	41,181	14,600	7,516	-	88,657	2,403	90,645	20,011
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,500	-	-	-
Transfers In	-	18,962	-	-	-	-	-	-
Total Receipts	<u>\$ 41,181</u>	<u>\$ 33,562</u>	<u>\$ 7,516</u>	<u>\$ -</u>	<u>\$ 90,157</u>	<u>\$ 2,403</u>	<u>\$ 90,645</u>	<u>\$ 20,011</u>
 <u>Disbursements</u>								
Salaries	\$ 24,500	\$ 22,458	\$ 4,625	\$ 2,042	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	8,636	5,598	441	542	-	-	-	-
Materials and Supplies	4,120	1,511	1,700	341	-	-	-	-
Services and Other	1,000	1,070	750	-	90,157	94	86,095	15,503
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 38,256</u>	<u>\$ 30,637</u>	<u>\$ 7,516</u>	<u>\$ 2,925</u>	<u>\$ 90,157</u>	<u>\$ 94</u>	<u>\$ 86,095</u>	<u>\$ 15,503</u>
 Receipts Over (Under)								
Disbursements	\$ 2,925	\$ 2,925	\$ -	\$ (2,925)	\$ -	\$ 2,309	\$ 4,550	\$ 4,508
Cash, January 1	<u>(2,925)</u>	<u>(2,925)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,508)</u>	<u>(4,508)</u>
Cash, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,925)</u>	<u>\$ -</u>	<u>\$ 2,309</u>	<u>\$ 42</u>	<u>\$ -</u>

See Notes to the Financial Statements

**The County of Livingston**  
**Chillicothe, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Concealed Carry Weapon Permit Fund				Civil Fees Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	1,410	1,920	1,100	1,409	25,000	23,780	25,000	27,835
Interest	9	7	-	9	-	70	-	91
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,419</u>	<u>\$ 1,927</u>	<u>\$ 1,100</u>	<u>\$ 1,418</u>	<u>\$ 25,000</u>	<u>\$ 23,850</u>	<u>\$ 25,000</u>	<u>\$ 27,926</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,800	-	1,810	1,805	35,300	34,327	38,761	30,507
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	1,500	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ 1,810</u>	<u>\$ 1,805</u>	<u>\$ 36,800</u>	<u>\$ 34,327</u>	<u>\$ 38,761</u>	<u>\$ 30,507</u>
 Receipts Over (Under)								
Disbursements	\$ (381)	\$ 1,927	\$ (710)	\$ (387)	\$ (11,800)	\$ (10,477)	\$ (13,761)	\$ (2,581)
 Cash, January 1	<u>421</u>	<u>421</u>	<u>808</u>	<u>808</u>	<u>11,901</u>	<u>11,901</u>	<u>14,482</u>	<u>14,482</u>
 Cash, December 31	<u>\$ 40</u>	<u>\$ 2,348</u>	<u>\$ 98</u>	<u>\$ 421</u>	<u>\$ 101</u>	<u>\$ 1,424</u>	<u>\$ 721</u>	<u>\$ 11,901</u>

See Notes to the Financial Statements



**The County of Livingston**  
**Chillicothe, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Collector's Tax Maintenance Fund				Inmate Security Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	19,900	22,105	18,000	20,357	1,250	3,042	-	107
Interest	100	128	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 20,000</u>	<u>\$ 22,233</u>	<u>\$ 18,000</u>	<u>\$ 20,357</u>	<u>\$ 1,250</u>	<u>\$ 3,042</u>	<u>\$ -</u>	<u>\$ 107</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	22,250	16,814	31,130	16,129	1,250	1,250	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 22,250</u>	<u>\$ 16,814</u>	<u>\$ 31,130</u>	<u>\$ 16,129</u>	<u>\$ 1,250</u>	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ (2,250)	\$ 5,419	\$ (13,130)	\$ 4,228	\$ -	\$ 1,792	\$ -	\$ 107
Cash, January 1	<u>25,753</u>	<u>25,753</u>	<u>21,525</u>	<u>21,525</u>	<u>107</u>	<u>107</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u>\$ 23,503</u>	<u>\$ 31,172</u>	<u>\$ 8,395</u>	<u>\$ 25,753</u>	<u>\$ 107</u>	<u>\$ 1,899</u>	<u>\$ -</u>	<u>\$ 107</u>

See Notes to the Financial Statements

**The County of Livingston**  
**Chillicothe, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years ended December 31, 2011 & 2010**

	Senate Bill 40 Board			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 150,000	\$ 152,922	\$ 152,000	\$ 154,694
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	2,500	2,700	4,000	3,296
Other	248,380	172,838	15,000	20,160
Transfers In	-	-	-	-
Total Receipts	<u>\$ 400,880</u>	<u>\$ 328,460</u>	<u>\$ 171,000</u>	<u>\$ 178,150</u>
 <u>Disbursements</u>				
Salaries	\$ 89,000	\$ 97,147	\$ 17,280	\$ 17,280
Employee Fringe Benefits	16,000	8,668	3,600	1,527
Materials and Supplies	-	-	-	-
Services and Other	295,602	144,026	142,312	111,124
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 400,602</u>	<u>\$ 249,841</u>	<u>\$ 163,192</u>	<u>\$ 129,931</u>
 Receipts Over (Under)				
Disbursements	\$ 278	\$ 78,619	\$ 7,808	\$ 48,219
 Cash, January 1	<u>269,202</u>	<u>269,202</u>	<u>220,983</u>	<u>220,983</u>
 Cash, December 31	<u><u>\$ 269,480</u></u>	<u><u>\$ 347,821</u></u>	<u><u>\$ 228,791</u></u>	<u><u>\$ 269,202</u></u>

See Notes to the Financial Statements

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Organized in 1837, the county of Livingston was named after the Honorable Edward Livingston, the 11th Secretary of State of the United States under President Andrew Jackson. Livingston County's government is a county-organized, third-class county and is part of the Forty-Third Judicial Circuit. The county seat is Chillicothe. Livingston County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, an ex-officio Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

**Reporting Entity**

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Livingston County, Missouri and the Livingston County Senate Bill 40 Board.

Livingston County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Livingston County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise Livingston County's legal entity. The Livingston County Senate Bill 40 Board is controlled by a separate board and is also included under the control of Livingston County.

Certain elected County officials, such as the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

**Basis of Presentation**

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Livingston County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**Basis of Accounting**

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Basis of Accounting (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Livingston County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Livingston County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The County did not adopt a budget for the Special Election Fund for 2011 and 2010.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Livingston County's boundaries for the calendar year 2011 and 2010, for the purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	115,968,829	111,443,560
Personal Property	40,399,124	39,526,350
Railroad and Utilities	<u>11,213,965</u>	<u>11,002,586</u>
	<u><u>167,581,918</u></u>	<u><u>161,972,496</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2011 and 2010 for the purpose of County taxation was as follows:

	<u>2011</u>	<u>2010</u>
Road and Bridge Fund	\$ 0.0500	\$ 0.0500

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Livingston County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Interfund Transactions (continued)

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**Note 2 - Deposits and Investments**

Livingston County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of Livingston County's deposits was \$1,210,571 and \$975,762, respectively, and the bank balance was \$1,325,388 and \$1,062,852, respectively. At December 31, 2011 & 2010, 100% of Livingston County's deposits and investments were covered by the Federal Deposit Insurance Company (FDIC) or were collateralized.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Deposits	1,010,020
Investments	200,551
Restricted Cash	<u>-</u>
Total Deposits & Investments as of December 31, 2011	<u><u>\$ 1,210,571</u></u>

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Deposits	777,926
Investments	197,836
Restricted Cash	<u>-</u>
Total Deposits & Investments as of December 31, 2010	<u><u>\$ 975,762</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Livingston County's investment policy does not include custodial credit risk requirements. Livingston County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011, and 2010.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 2 - Deposits and Investments (continued)**

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Livingston County or its agent but not in the government's name. Livingston County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Livingston County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Livingston County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by Livingston County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Livingston County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Livingston County's deposits were not exposed to concentration of investment credit risk for the years ended in December 31, 2011 and 2010.

**Note 3 - Long Term Debt**

On June 22, 2006, the County issued Certificate of Participation (COP's) in the amount of \$656,000. The maturity of the COP's is June 1, 2021 and the interest rate ranges from 4.00% to 4.70%. L.J. Hart & Company is the holder of these COP's.

<u>Debt</u>	<u>Balance at 1/1/2011</u>	<u>Amount Borrowed</u>	<u>Amount Repaid</u>	<u>Balance at 12/31/2011</u>	<u>Interest Paid During Year</u>
2006 COP's	525,000	-	40,000	485,000	23,055
Total	<u>\$ 525,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 485,000</u>	<u>\$ 23,055</u>

<u>Debt</u>	<u>Balance at 1/1/2010</u>	<u>Amount Borrowed</u>	<u>Amount Repaid</u>	<u>Balance at 12/31/2010</u>	<u>Interest Paid During Year</u>
2006 COP's	560,000	-	35,000	525,000	24,611
Total	<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 525,000</u>	<u>\$ 24,611</u>

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 3 - Long Term Debt (continued)**

2011 Amortizations			
Series 2006 Certificates of Participation Schedule			
Year	Principal	Interest	Total
2012	40,000	21,395	61,395
2013	40,000	19,665	59,665
2014	45,000	17,753	62,753
2015	45,000	15,728	60,728
2016-2021	315,000	46,602	361,602
Total	<u>\$ 485,000</u>	<u>\$ 121,143</u>	<u>\$ 606,143</u>

2010 Amortizations			
Series 2006 Certificates of Participation Schedule			
Year	Principal	Interest	Total
2011	40,000	23,055	63,055
2012	40,000	21,395	61,395
2013	40,000	19,665	59,665
2014	45,000	17,753	62,753
2015-2021	360,000	62,330	422,330
Total	<u>\$ 525,000</u>	<u>\$ 144,198</u>	<u>\$ 669,198</u>

**Note 4 - Interfund Transfers**

Transfers between funds for the years ended December 31, 2011 and 2010 are as follows:

Fund	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	-	18,962	60,000	-
Road & Bridge	-	-	-	60,000
Use Tax	31,600	-	31,600	-
Planning & Zoning	-	1,536	-	-
Enhanced 911	-	31,600	-	31,600
Election Services	1,536	-	-	-
Victim Advocates Grant	18,962	-	-	-
Total	<u>\$ 52,098</u>	<u>\$ 52,098</u>	<u>\$ 91,600</u>	<u>\$ 91,600</u>

**Note 5 - Change in Accounting Basis**

Livingston County, Missouri, has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted by Missouri State Law. The accounting change had no effect on the beginning cash balances of the various county funds.



**The County of Livingston  
Chillicothe, Missouri  
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**Note 6 - Local Government Employees Retirement System (LAGERS)**

Plan Description

Livingston County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600- 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO, 65102 or by calling 1-800-447-4334.

Funding Status

Livingston County's full time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rates for 2011 are 13.2% (general) and 11.2% (police) and for 2010 they are 14.8% (general) and 13.1% (police) of the annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

For 2011, the political subdivision's annual pension cost of \$161,676 for the County was not equal to the actual contributions of \$265,176, resulting in a credit towards future net pension obligations of \$103,500. The 2011 annual required contribution (ARC) was determined as part of the February 29, 2008 and/or February 28, 2009 annual actuarial valuation using the entry age actuarial cost method. For 2010, the political subdivision's annual pension cost of \$173,555 for the County was equal to the required and actual contributions. The 2010 required contribution was determined as part of the February 29, 2008 and February 28, 2009 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included ( a ) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, ( b ) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, ( c ) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, ( d ) pre-retirement mortality asked on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and ( e ) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of February 29, 2008 was 21 years for the General division and 21 years for the Police division. The amortization period of February 28, 2009, was 18 years for the General division and 17 years for the Police division. The amortization period of February 28, 2010, was 17 years for the General division and 16 years for the Police division.

**The County of Livingston  
Chillicothe, Missouri  
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**Note 6 - Local Government Employees Retirement System (LAGERS) (continued)**

**Three Year Trend Information - 2011**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 165,175	100%	\$ 165,175
6/30/2010	173,555	100%	173,555
6/30/2011	161,676	164%	(103,500)

**Required Supplementary Information - Schedule of Funding Progress 2011**

Actuarial Valuation Date	( a ) Actuarial Value of Assets	( b ) Entry Age Actuarial Accrued Liability	( b-a ) Unfunded Accrued Liability (UAL)	( a/b ) Funded Ratio	( c ) Annual Covered Payroll	[ ( b -a ) / c ] UAL as a Percentage of Covered Payroll
2/28/2009	\$ 795,574	\$ 1,796,208	\$ 1,000,634	44%	\$ 1,181,424	85%
2/28/2010	898,333	1,826,531	928,198	49%	1,279,820	73%
2/28/2011	1,042,100	1,796,135	791,925	58%	1,159,895	68%

**Three Year Trend Information - 2010**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 247,895	100%	\$ -
6/30/2009	165,175	100%	-
6/30/2010	173,555	100%	-

**Required Supplementary Information - Schedule of Funding Progress 2010**

Actuarial Valuation Date	( a ) Actuarial Value of Assets	( b ) Entry Age Actuarial Accrued Liability	( b-a ) Unfunded Accrued Liability (UAL)	( a/b ) Funded Ratio	( c ) Annual Covered Payroll	[ ( b -a ) / c ] UAL as a Percentage of Covered Payroll
2/28/2008	\$ 1,039,522	\$ 1,939,020	\$ 899,498	54%	\$ 1,224,823	73%
2/28/2009	795,574	1,796,208	1,000,634	44%	1,181,424	85%
2/28/2010	898,333	1,826,531	928,198	49%	1,279,820	73%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 7 - County Employees Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

**Pension Benefits**

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-877-632-2373.

**Funding Policy**

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 0% of their annual salary, while employees hired after February 2002 are required to contribute 4% of their annual salary in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF, employee contributions of approximately \$26,202 and \$26,746, respectively, for the years then ended.

**Note 8 - Prosecuting Attorney Retirement Fund**

In accordance with state statute Chapter 56.807 RSMo, Livingston County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Livingston County has contributed \$1,840 and \$0, respectively, for the years ended December 31, 2011 and 2010.

**The County of Livingston  
Chillicothe, Missouri  
Notes to the Financial Statements  
Years ended December 31, 2011 & 2010**

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**Note 9 - Post Employment Benefits**

Livingston County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

**Note 10 - Claims, Commitments, and Contingencies**

Litigation

Livingston County is involved in pending litigation as of December 31, 2011. The extent of the liability, if any, cannot be determined at this time.

Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. Unused sick time is not reimbursed. These have not been subjected to auditing procedures.

**Note 11 - Risk Management**

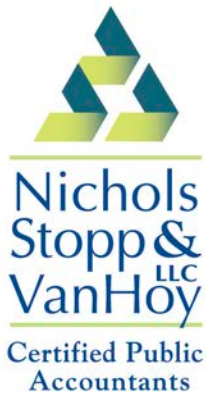
The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**Note 12 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 2, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Livingston County, Missouri

We have audited the accompanying financial statements of Livingston County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Livingston County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Livingston County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Livingston County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Livingston County, Missouri's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 11/10-1 through 11/10-3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston County, Missouri's financial statements are free of material misstatement, we performed tests

10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

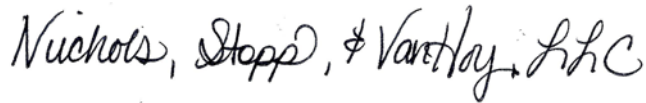
PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs 11/10-4.

Livingston County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Livingston County, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 2, 2012



10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Livingston County, Missouri

Compliance

We have audited Livingston County, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Livingston County, Missouri's major federal programs for the years ended December 31, 2011 and 2010. Livingston County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Livingston County, Missouri's management. Our responsibility is to express an opinion on Livingston County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Livingston County, Missouri's compliance with those requirements.

In our opinion, Livingston County, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

Management of Livingston County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Livingston County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

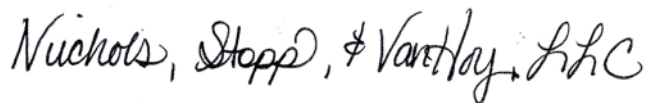
Accordingly, we do not express an opinion on the effectiveness of Livingston County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11/10-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Livingston County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Livingston County, Missouri's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, L.L.C." The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 2, 2012



**The County of Livingston  
Chillicothe, Missouri  
Schedule of Expenditures of Federal Awards  
Years ended December 31, 2011 & 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2011	2010
<b>U.S. Department of Agriculture</b>				
Passed through state:				
Office of Administration - Emergency Watershed Protection Program	10.923	N/A	\$ 5,697	\$ 1,196,640
<b>U.S. Department of Housing and Urban Development</b>				
Passed through state:				
Department of Economic Development - Community Development Block Grant	14.228	2006-PF-848	-	1,462
<b>U.S. Department of Justice</b>				
Passed through state:				
Department of Public Safety - Crime Victim Assistance	16.575	VOCA	19,001	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-2BGJ-035	-	9,000
Total U.S. Department of Justice			19,001	9,000
<b>U.S. Department of Transportation</b>				
Passed through state:				
Highway and Transportation Commission - Highway Planning and Construction	20.205	BRO - 59(18)(19)	341,177	76,321
State and Community Highway Safety	20.600	11-PT-02-32	2,578	-
State and Community Highway Safety	20.600	10-PT-02-32	-	1,536
Alcohol Impaired Driving Incentive Grant	20.601	11-K8-03-26	2,800	
Alcohol Impaired Driving Incentive Grant	20.601	10-K8-03-23	-	9,342
University of Central Missouri - State and Community Highway Safety	20.600	N/A	475	-
Department of Public Safety - Interagency Hazardous Materials Public Sector Grant	20.703	HMEP	3,095	2,000
Total U.S. Department of Transportation			350,125	89,199
<b>General Services Administration</b>				
Passed through state:				
Office of Secretary of State - Donation of Federal Surplus Property	39.003	N/A	-	113
Election Reform Payments	39.011	N/A	3,417	4,550
Total General Services Administration			3,417	4,663
<b>U.S. Election Assistance Commission</b>				
Passed through state:				
Office of Secretary of State - Help America Vote Act Requirements Payments	90.401	N/A	2,084	-
<b>U.S. Department of Health and Human Services</b>				
Passed through state:				
Department of Social Services - Child Support Enforcement	93.563	N/A	533	548
<b>U.S. Department of Homeland Security</b>				
Passed through state:				
Department of Public Safety - Emergency Management Performance Grants	97.042	EMW-2011-EP-0004-S01	17,534	5,883
Disaster Grants - Public Assistance	97.036	FEMA 1847-DR-MO	-	63,439
Total U.S. Department of Homeland Security			17,534	69,322
Total Expenditures of Federal Awards			\$ 398,391	\$ 1,370,834

**The County of Livingston  
Chillicothe, Missouri  
Notes to Schedule of Expenditures of Federal Awards  
Years ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Livingston County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Note 2 - Subrecipients**

During the years ended December 31, 2011 & 2010, the County passed through federal funds under the Emergency Watershed Protection Program (CFDA #10.923) to subawardees consisting of County townships in the amount of \$63,439, and under the Emergency Management Performance Grant (CFDA #97.042) to a City within the County in the amount of \$23,417.

**The County of Livingston  
Chillicothe, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

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**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unqualified Regulatory Basis

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Any noncompliance material to financial  
statements noted?

\_\_\_\_\_ Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified  
not considered to be material weaknesses?

  X   Yes \_\_\_\_\_ None Reported

Type of auditor's report issued on  
compliance for major programs:

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510 (a) of Circular A-133?

  X   Yes \_\_\_\_\_ No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
10.923	Emergency Watershed Protection Program

Dollar threshold used to distinguish  
between type A and type B programs:

 \$300,000 

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

**The County of Livingston  
Chillicothe, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

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**Section 2 - Financial Statement Findings**

11/10-1 Condition: During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.

Effect: Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

Recommendation: We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

Management's Response: Third Class counties do not have a need or the budget to support the permanent employment of an individual with the accounting skills to prepare or take responsibility for the financial statement as suggested by the auditor. Nor do we have the need to contract with an outside accountant to prepare the external financial statements. It has been the understanding of the County Commission and other elected officials that this is the duty of the contracted auditor; however, management is open to contracting with an independent accountant to review the financial statement audit.

11/10-2 Condition: Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: Livingston County is in the process of creating documented internal controls. Even though Internal Controls have not been in writing, they have been in place, communicated and practiced by all elected officials and staff for many years. In fact, many efforts are made to ensure that all parties involved recognize the importance of accountability and consistency. The Livingston County Internal Controls have worked effectively and efficiently for many decades.

11/10-3 Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

**The County of Livingston  
Chillicothe, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

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**Section 2 - Financial Statement Findings (Continued)**

- 11/10-3 Recommendation: We recommend that the County address various risks in the environment, including risk of fraud (cont.) occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: Livingston County has many procedures in place to ensure that the opportunity for fraud is very minimal if not non-existent. The Collector-Treasurer and the County Clerk work very close with one another to ensure accountability. The Collector-Treasurer and the County Clerk each balance the monetary assets monthly and independently of one another. This balancing process also includes the taxes (delinquent and distributed). Other areas of Risk Assessment are indirectly addressed throughout the year while meeting with various county elected officials. The County Commission will plan to meet annually during budget time to discuss any areas of concern with the county elected officials.

- 11/10-4 Condition: During our audit, we noted one fund in which the County did not adopt a formal budget.

Effect: Missouri statutes require Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding the budget in a fund the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County adopt a budget for all funds, and periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: All funds have actual budgets with the exception of the Special Election Fund. This is a fund specifically used for elections which political sub-divisions other than the county have and the funds "Pass through" the fund. All revenues in this account are received from the political sub-division having an election and all expenditures pay for the expenses specific to that election.

**Section 3 - Federal Award Findings and Questioned Cost**

- 11/10-5 Condition: The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

Criteria: OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

Cause: Management was unaware of the reporting requirements related to the Schedule of Expenditures of Federal Awards.

Effect: Federal expenditures reported on the SEFA were incorrect.

**The County of Livingston  
Chillicothe, Missouri  
Schedule of Findings and Questioned Cost  
Years ended December 31, 2011 & 2010**

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**Section 3 - Federal Award Findings and Questioned Cost (Continued)**

11/10-5 Recommendation: We recommend that management develop internal controls over reporting and consult with  
(cont.) outside accountants when needed to ensure an accurate SEFA is prepared.

Management's Response: The Schedule of Expenditures of Federal Awards (SEFA) was amended upon discovery of the exclusion of applicable funding and an amended SEFA was sent to the State Auditor's office. The County Clerk made the discovery of the funding exclusion during the time of the external financial statement audit and brought the information to the attention of the auditor. The State Auditor and contracted auditor are well aware of the difficulty the Clerk faces in completing this schedule due to the reliance of the information being provided to the Clerk. Grants throughout the county are completed by a variety of elected officials and if the information is not provided to the Clerk, the SEFA cannot be completed properly.

**The County of Livingston  
Chillicothe, Missouri  
Follow-Up to Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Livingston County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009.

**Prior Year Financial Statement Findings**

None

**Prior Year Federal Award Findings and Questioned Cost**

None



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Linn County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Linn County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich", is positioned above the printed name.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-101



**The County of Linn  
Linneus, Missouri  
Independent Auditor's Report and Financial Statements  
Years Ended December 31, 2011 & 2010**



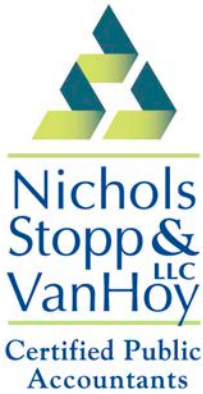
**The County of Linn  
Linneus, Missouri  
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## Independent Auditor's Report

To the County Commission and  
Officeholders of Linn County, Missouri



We have audited the accompanying financial statements of Linn County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Linn County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Linn County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

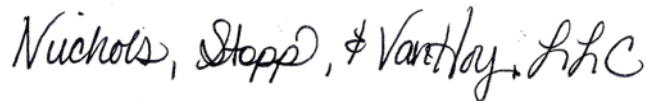
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Linn County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1. As described in Note 11, the County has changed its basis of accounting for the years ended December 31, 2011 and 2010.

10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

In accordance with Government Auditing Standards, we also have issued our report dated July 9, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Nichols, Stopp, & VanHoy, LLC  
Creve Coeur, MO  
July 9, 2012

**The County of Linn**  
**Linneus, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year ended December 31, 2011**

<u>Fund</u>	Cash and Equivalents January 1, 2011	Receipts 2011	Disbursements 2011	Cash and Equivalents December 31, 2011
General Revenue	\$ 868,673	\$ 1,635,268	\$ 1,458,912	\$ 1,045,029
Road and Bridge	614,378	1,580,702	1,434,001	761,079
Assessment	31,339	194,470	162,121	63,688
Special Election	31,863	9,626	20,883	20,606
Check Collection	8,483	10,485	12,292	6,676
Sheriff's Training	3,925	4,663	3,897	4,691
Prosecuting Attorney Training	2,088	834	-	2,922
Recorder's	13,669	6,877	4,023	16,523
Shelter for Victims Grant	345	395	-	740
Enhanced 911	78,607	125,660	122,358	81,909
Tax Maintenance	7,256	24,614	13,519	18,351
Child Support Enforcement Grant	(18,576)	116,005	105,705	(8,276)
Medical Insurance	20,173	139,939	82,236	77,876
Miscellaneous Grant	-	-	-	-
Juvenile Office Grant	(525)	27,137	32,974	(6,362)
Drug Court Grant	5,542	37,492	36,055	6,979
Senior Citizens Services Board	11,292	66,098	64,579	12,811
Total	<u>\$ 1,678,532</u>	<u>\$ 3,980,265</u>	<u>\$ 3,553,555</u>	<u>\$ 2,105,242</u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year ended December 31, 2010**

<u>Fund</u>	Cash and Equivalents January 1, 2010 (Restated)	Receipts 2010	Disbursements 2010	Cash and Equivalents December 31, 2010
General Revenue	\$ 948,396	\$ 1,442,072	\$ 1,521,795	\$ 868,673
Road and Bridge	495,201	1,463,688	1,344,511	614,378
Assessment	21,708	171,320	161,689	31,339
Special Election	27,781	4,326	244	31,863
Check Collection	12,679	8,506	12,702	8,483
Sheriff's Training	4,399	5,423	5,897	3,925
Prosecuting Attorney Training	1,808	707	427	2,088
Recorder's	14,603	7,061	7,995	13,669
Shelter for Victims Grant	375	345	375	345
Enhanced 911	81,602	119,230	122,225	78,607
Tax Maintenance	13,623	15,995	22,362	7,256
Child Support Enforcement Grant	(7,038)	95,674	107,212	(18,576)
Medical Insurance	-	28,307	8,134	20,173
Miscellaneous Grant	4,586	330	4,916	-
Juvenile Office Grant	(1,008)	7,133	6,650	(525)
Drug Court Grant	4,460	36,178	35,096	5,542
Senior Citizens Services Board	9,450	66,919	65,077	11,292
Total	<u>\$ 1,632,625</u>	<u>\$ 3,473,214</u>	<u>\$ 3,427,307</u>	<u>\$ 1,678,532</u>

See Notes to Financial Statements

**The County of Linn  
Linneus, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
Years Ended December 31, 2011 & 2010**

	General Revenue Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 120,000	\$ 120,391	\$ 109,000	\$ 131,548
Sales Taxes	530,000	623,271	575,000	595,236
Intergovernmental	259,938	363,848	313,936	265,876
Charges for Services	323,450	368,629	317,050	358,105
Interest	3,200	3,850	4,500	4,187
Other	61,254	86,997	54,574	87,120
Transfers In	51,184	68,282	15,000	-
Total Receipts	<u>\$ 1,349,026</u>	<u>\$ 1,635,268</u>	<u>\$ 1,389,060</u>	<u>\$ 1,442,072</u>
<u>Disbursements</u>				
County Commission	\$ 104,573	\$ 80,509	\$ 94,331	\$ 78,050
County Clerk	89,869	84,046	86,930	77,543
Elections	86,340	33,939	130,200	76,871
Building and Grounds	207,679	65,892	242,930	148,595
Employee Fringe Benefits	180,000	56,835	180,000	141,489
Collector/Treasurer	71,127	64,635	71,127	63,558
Recorder of Deeds	71,693	70,437	69,069	68,176
Circuit Clerk	44,485	34,405	38,650	30,962
Court Administration	24,700	24,634	21,400	20,081
Public Administrator	26,418	26,366	26,418	23,796
Sheriff	294,945	298,197	280,368	275,469
Jail	172,000	142,855	172,000	135,207
Prosecuting Attorney	135,741	129,556	132,627	120,581
Juvenile Officer	62,286	51,272	62,286	47,952
Coroner	24,296	16,195	24,496	15,692
Health and Welfare	2,300	2,300	2,300	2,000
Planning & Zoning	5,000	-	5,000	-
Other	326,595	192,685	314,455	179,563
Transfers Out	26,000	84,154	15,000	16,210
Emergency Fund	250,000	-	360,000	-
Total Disbursements	<u>\$ 2,206,047</u>	<u>\$ 1,458,912</u>	<u>\$ 2,329,587</u>	<u>\$ 1,521,795</u>
Receipts Over (Under)				
Disbursements	\$ (857,021)	\$ 176,356	\$ (940,527)	\$ (79,723)
Cash, January 1	<u>868,673</u>	<u>868,673</u>	<u>948,396</u>	<u>948,396</u>
Cash, December 31	<u><u>\$ 11,652</u></u>	<u><u>\$ 1,045,029</u></u>	<u><u>\$ 7,869</u></u>	<u><u>\$ 868,673</u></u>

See Notes to Financial Statements

**The County of Linn  
Linneus, Missouri  
Comparative Statement of Receipts, Disbursements, and Changes in Cash  
Budget and Actual, All Governmental Funds: Regulatory Basis  
Years Ended December 31, 2011 & 2010**

	Road and Bridge Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 57,000	\$ 57,945	\$ 45,000	\$ 60,792
Sales Taxes	520,000	623,277	575,000	595,239
Intergovernmental	833,318	894,853	875,209	804,886
Charges for Services	-	-	-	-
Interest	2,000	2,801	1,000	2,705
Other	20	1,826	1,250	66
Transfers In	-	-	-	-
Total Receipts	<u>\$ 1,412,338</u>	<u>\$ 1,580,702</u>	<u>\$ 1,497,459</u>	<u>\$ 1,463,688</u>
<u>Disbursements</u>				
Salaries	\$ 163,700	\$ 133,294	\$ 162,000	\$ 133,123
Employee Fringe Benefits	58,000	18,068	55,600	50,469
Supplies	18,800	5,851	18,800	4,425
Insurance	8,000	3,574	7,500	3,464
Road & Bridge Materials	265,500	192,795	168,500	112,864
Equipment Repairs	-	-	-	-
Rentals	-	-	-	-
Equipment Purchases	24,750	3,975	24,500	4,302
R & B Construction	265,825	53,813	260,900	46,858
Other Expenditures	1,018,980	928,099	1,101,080	983,496
Transfers Out	85,306	94,532	-	5,510
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 1,908,861</u>	<u>\$ 1,434,001</u>	<u>\$ 1,798,880</u>	<u>\$ 1,344,511</u>
Receipts Over (Under)				
Disbursements	\$ (496,523)	\$ 146,701	\$ (301,421)	\$ 119,177
Cash, January 1	<u>614,378</u>	<u>614,378</u>	<u>495,201</u>	<u>495,201</u>
Cash, December 31	<u><u>\$ 117,855</u></u>	<u><u>\$ 761,079</u></u>	<u><u>\$ 193,780</u></u>	<u><u>\$ 614,378</u></u>

See Notes to Financial Statements



**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Assessment Fund				Special Election Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	183,910	180,762	172,777	169,298	25,000	-	25,000	-
Charges for Services	7	1	130	7	2,000	9,553	2,000	4,249
Interest	200	269	300	244	50	73	50	77
Other	1,500	13,438	3,100	1,771	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 185,617</u>	<u>\$ 194,470</u>	<u>\$ 176,307</u>	<u>\$ 171,320</u>	<u>\$ 27,050</u>	<u>\$ 9,626</u>	<u>\$ 27,050</u>	<u>\$ 4,326</u>
 <u>Disbursements</u>								
Salaries	\$ 103,807	\$ 92,192	\$ 102,766	\$ 99,266	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	31,500	7,942	33,500	26,174	-	-	-	-
Materials and Supplies	11,500	9,303	12,000	8,524	-	-	-	-
Services and Other	9,900	3,208	9,900	7,490	15,000	150	15,000	244
Capital Outlay	19,752	19,629	14,330	15,554	20,000	20,733	20,000	-
Transfers Out	-	19,847	-	4,681	-	-	-	-
Emergency Fund	-	10,000	-	-	-	-	-	-
Total Disbursements	<u>\$ 176,459</u>	<u>\$ 162,121</u>	<u>\$ 172,496</u>	<u>\$ 161,689</u>	<u>\$ 35,000</u>	<u>\$ 20,883</u>	<u>\$ 35,000</u>	<u>\$ 244</u>
 Receipts Over (Under)								
Disbursements	\$ 9,158	\$ 32,349	\$ 3,811	\$ 9,631	\$ (7,950)	\$ (11,257)	\$ (7,950)	\$ 4,082
 Cash, January 1	<u>31,339</u>	<u>31,339</u>	<u>21,708</u>	<u>21,708</u>	<u>31,863</u>	<u>31,863</u>	<u>27,781</u>	<u>27,781</u>
 Cash, December 31	<u>\$ 40,497</u>	<u>\$ 63,688</u>	<u>\$ 25,519</u>	<u>\$ 31,339</u>	<u>\$ 23,913</u>	<u>\$ 20,606</u>	<u>\$ 19,831</u>	<u>\$ 31,863</u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Check Collection Fund				Sheriff's Training Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	950	-
Charges for Services	8,280	10,485	8,500	8,435	4,800	4,663	2,900	5,423
Interest	50	-	100	71	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 8,330</u>	<u>\$ 10,485</u>	<u>\$ 8,600</u>	<u>\$ 8,506</u>	<u>\$ 4,800</u>	<u>\$ 4,663</u>	<u>\$ 3,850</u>	<u>\$ 5,423</u>
 <u>Disbursements</u>								
Salaries	\$ 10,000	\$ 9,859	\$ 10,000	\$ 9,791	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	900	754	900	749	-	-	-	-
Materials and Supplies	-	21	500	20	-	-	-	-
Services and Other	1,860	1,441	4,700	1,314	4,500	3,897	4,500	5,897
Capital Outlay	840	217	3,000	828	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 13,600</u>	<u>\$ 12,292</u>	<u>\$ 19,100</u>	<u>\$ 12,702</u>	<u>\$ 4,500</u>	<u>\$ 3,897</u>	<u>\$ 4,500</u>	<u>\$ 5,897</u>
 Receipts Over (Under)								
Disbursements	\$ (5,270)	\$ (1,807)	\$ (10,500)	\$ (4,196)	\$ 300	\$ 766	\$ (650)	\$ (474)
 Cash, January 1	<u>8,483</u>	<u>8,483</u>	<u>12,679</u>	<u>12,679</u>	<u>3,925</u>	<u>3,925</u>	<u>4,399</u>	<u>4,399</u>
 Cash, December 31	<u><u>\$ 3,213</u></u>	<u><u>\$ 6,676</u></u>	<u><u>\$ 2,179</u></u>	<u><u>\$ 8,483</u></u>	<u><u>\$ 4,225</u></u>	<u><u>\$ 4,691</u></u>	<u><u>\$ 3,749</u></u>	<u><u>\$ 3,925</u></u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Prosecuting Attorney Training Fund				Recorder's Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	750	834	750	707	6,000	6,804	6,700	6,984
Interest	-	-	-	-	70	73	100	77
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 750</u>	<u>\$ 834</u>	<u>\$ 750</u>	<u>\$ 707</u>	<u>\$ 6,070</u>	<u>\$ 6,877</u>	<u>\$ 6,800</u>	<u>\$ 7,061</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	1,000	284	1,000	740
Services and Other	500	-	400	427	9,500	2,674	5,500	6,164
Capital Outlay	-	-	-	-	6,000	1,065	7,000	1,091
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 427</u>	<u>\$ 16,500</u>	<u>\$ 4,023</u>	<u>\$ 13,500</u>	<u>\$ 7,995</u>
 Receipts Over (Under)								
Disbursements	\$ 250	\$ 834	\$ 350	\$ 280	\$ (10,430)	\$ 2,854	\$ (6,700)	\$ (934)
 Cash, January 1	<u>2,088</u>	<u>2,088</u>	<u>1,808</u>	<u>1,808</u>	<u>13,669</u>	<u>13,669</u>	<u>14,603</u>	<u>14,603</u>
 Cash, December 31	<u><u>\$ 2,338</u></u>	<u><u>\$ 2,922</u></u>	<u><u>\$ 2,158</u></u>	<u><u>\$ 2,088</u></u>	<u><u>\$ 3,239</u></u>	<u><u>\$ 16,523</u></u>	<u><u>\$ 7,903</u></u>	<u><u>\$ 13,669</u></u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Shelter for Victims Grant Fund				Enhanced 911 Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	375	395	350	345	113,000	125,378	115,000	118,918
Interest	-	-	-	-	200	282	1,200	312
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 375</u>	<u>\$ 395</u>	<u>\$ 350</u>	<u>\$ 345</u>	<u>\$ 113,200</u>	<u>\$ 125,660</u>	<u>\$ 116,200</u>	<u>\$ 119,230</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	2,072	111	2,072	136
Services and Other	345	-	375	375	64,050	64,000	65,550	65,000
Capital Outlay	-	-	-	-	60,591	58,247	60,591	57,089
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 345</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 375</u>	<u>\$ 126,713</u>	<u>\$ 122,358</u>	<u>\$ 128,213</u>	<u>\$ 122,225</u>
 Receipts Over (Under)								
Disbursements	\$ 30	\$ 395	\$ (25)	\$ (30)	\$ (13,513)	\$ 3,302	\$ (12,013)	\$ (2,995)
 Cash, January 1	<u>345</u>	<u>345</u>	<u>375</u>	<u>375</u>	<u>78,607</u>	<u>78,607</u>	<u>81,602</u>	<u>81,602</u>
 Cash, December 31	<u>\$ 375</u>	<u>\$ 740</u>	<u>\$ 350</u>	<u>\$ 345</u>	<u>\$ 65,094</u>	<u>\$ 81,909</u>	<u>\$ 69,589</u>	<u>\$ 78,607</u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Tax Maintenance Fund				Child Support Enforcement Grant Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	14,500	24,554	15,000	15,291	124,283	116,005	114,307	95,674
Charges for Services	500	-	500	694	-	-	-	-
Interest	5	60	75	10	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 15,005</u>	<u>\$ 24,614</u>	<u>\$ 15,575</u>	<u>\$ 15,995</u>	<u>\$ 124,283</u>	<u>\$ 116,005</u>	<u>\$ 114,307</u>	<u>\$ 95,674</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 91,237	\$ 75,372	\$ 90,581	\$ 75,303
Employee Fringe Benefits	-	-	-	-	-	6,216	-	14,851
Materials and Supplies	-	-	-	-	9,638	9,230	10,638	9,717
Services and Other	20,000	13,519	28,000	22,362	4,632	5,199	4,550	5,385
Capital Outlay	-	-	-	-	200	-	1,500	50
Transfers Out	-	-	-	-	-	9,688	-	1,906
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 20,000</u>	<u>\$ 13,519</u>	<u>\$ 28,000</u>	<u>\$ 22,362</u>	<u>\$ 105,707</u>	<u>\$ 105,705</u>	<u>\$ 107,269</u>	<u>\$ 107,212</u>
 Receipts Over (Under)								
Disbursements	\$ (4,995)	\$ 11,095	\$ (12,425)	\$ (6,367)	\$ 18,576	\$ 10,300	\$ 7,038	\$ (11,538)
 Cash, January 1	<u>7,256</u>	<u>7,256</u>	<u>13,623</u>	<u>13,623</u>	<u>(18,576)</u>	<u>(18,576)</u>	<u>(7,038)</u>	<u>(7,038)</u>
 Cash, December 31	<u>\$ 2,261</u>	<u>\$ 18,351</u>	<u>\$ 1,198</u>	<u>\$ 7,256</u>	<u>\$ -</u>	<u>\$ (8,276)</u>	<u>\$ -</u>	<u>\$ (18,576)</u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Medical Insurance Fund				Miscellaneous Grant Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	80,000	-	80,000	330
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	92,037	139,939	-	28,307	-	-	-	-
Total Receipts	<u>\$ 92,037</u>	<u>\$ 139,939</u>	<u>\$ -</u>	<u>\$ 28,307</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 330</u>
 <u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	92,037	82,236	-	8,134	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	-	-	-	-	20,000	-	80,000	4,916
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 92,037</u>	<u>\$ 82,236</u>	<u>\$ -</u>	<u>\$ 8,134</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 4,916</u>
 Receipts Over (Under)								
Disbursements	\$ -	\$ 57,703	\$ -	\$ 20,173	\$ 60,000	\$ -	\$ -	\$ (4,586)
 Cash, January 1	<u>20,173</u>	<u>20,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,586</u>	<u>4,586</u>
 Cash, December 31	<u><u>\$ 20,173</u></u>	<u><u>\$ 77,876</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,173</u></u>	<u><u>\$ 60,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,586</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Juvenile Office Grant Fund				Drug Court Grant Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	44,750	27,137	12,974	7,133	29,700	30,633	28,000	29,638
Charges for Services	-	-	-	-	7,000	6,859	7,000	6,540
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 44,750</u>	<u>\$ 27,137</u>	<u>\$ 12,974</u>	<u>\$ 7,133</u>	<u>\$ 36,700</u>	<u>\$ 37,492</u>	<u>\$ 35,000</u>	<u>\$ 36,178</u>
 <u>Disbursements</u>								
Salaries	\$ 10,731	\$ 8,378	\$ 11,096	\$ 6,135	\$ 30,000	\$ 25,100	\$ 30,000	\$ 27,500
Employee Fringe Benefits	870	767	870	515	2,800	2,138	2,800	2,232
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	32,624	23,829	-	-	5,950	8,817	4,750	5,364
Capital Outlay	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 44,225</u>	<u>\$ 32,974</u>	<u>\$ 11,966</u>	<u>\$ 6,650</u>	<u>\$ 38,750</u>	<u>\$ 36,055</u>	<u>\$ 37,550</u>	<u>\$ 35,096</u>
 Receipts Over (Under)								
Disbursements	\$ 525	\$ (5,837)	\$ 1,008	\$ 483	\$ (2,050)	\$ 1,437	\$ (2,550)	\$ 1,082
 Cash, January 1	<u>(525)</u>	<u>(525)</u>	<u>(1,008)</u>	<u>(1,008)</u>	<u>5,542</u>	<u>5,542</u>	<u>4,460</u>	<u>4,460</u>
 Cash, December 31	<u>\$ -</u>	<u>\$ (6,362)</u>	<u>\$ -</u>	<u>\$ (525)</u>	<u>\$ 3,492</u>	<u>\$ 6,979</u>	<u>\$ 1,910</u>	<u>\$ 5,542</u>

See Notes to Financial Statements

**The County of Linn**  
**Linneus, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Senior Citizens Services Board			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 66,910	\$ 66,098	\$ 61,525	\$ 66,919
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 66,910</u>	<u>\$ 66,098</u>	<u>\$ 61,525</u>	<u>\$ 66,919</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	77,700	64,579	61,525	65,077
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Emergency Fund	-	-	-	-
Total Disbursements	<u>\$ 77,700</u>	<u>\$ 64,579</u>	<u>\$ 61,525</u>	<u>\$ 65,077</u>
Receipts Over (Under)				
Disbursements	\$ (10,790)	\$ 1,519	\$ -	\$ 1,842
Cash, January 1	<u>11,292</u>	<u>11,292</u>	<u>9,450</u>	<u>9,450</u>
Cash, December 31	<u>\$ 502</u>	<u>\$ 12,811</u>	<u>\$ 9,450</u>	<u>\$ 11,292</u>

See Notes to Financial Statements



**The County of Linn  
Linneus, Missouri  
Notes to Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Organized in 1820, the county of Linn was named after Daniel Linn. Linn County is a county-organized, third-class county and is part of the ninth Judicial Circuit. The county seat is Linneus. Linn County's government is composed of a three-member county commission and the following separately elected Constitutional Officers: County Clerk, Collector-Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Linn County and the Linn County Senior Citizens Services Board.

Linn County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Linn County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise Linn County's legal entity. The Linn County Senior Citizens Services Board is controlled by a separate board and is also included under the control of Linn County.

Certain elected County officials, such as the County Collector-Treasurer and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and are unaudited.

Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Linn County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senior Citizens Services Board. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

The Linn County SB40 Board, although a part of the county with a separate board, is separately audited by independent certified public accountants, and, therefore, not included in the audit report. For a copy of the audited financial statements please contact the Linn County SB40 Board at (660) 258-2877.

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**The County of Linn**  
**Linneus, Missouri**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Basis of Accounting (continued)

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Linn County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Linn County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures. During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. The Sheriff's Training Fund, PA Training Fund, and Senior Citizens Services Board all had expenses exceeding their budget for 2010. Also, The County did not prepare a 2010 budget for the Medical Insurance Fund.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

Prior to February 1, the budget is legally enacted by a vote of the County Commission.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

**The County of Linn**  
**Linneus, Missouri**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Linn County's boundaries for the calendar year 2011 and 2010, for the purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 76,918,997	\$ 75,931,202
Personal Property	42,080,406	40,517,318
Railroad and Utilities	20,970,168	18,864,705
	<u>\$ 139,969,571</u>	<u>\$ 135,313,225</u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2011 and 2010 for the purpose of County taxation was as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$ 0.7250	\$ 0.7250
Senior Citizens Services Board	0.0497	0.0497

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Linn County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**The County of Linn**  
**Linneus, Missouri**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 2 - Deposits and Investments**

Linn County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the statement of receipts, disbursements, and changes in cash arising from cash transactions as "Cash and Equivalents".

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of Linn County's deposits was \$2,105,242 and \$1,678,532, respectively, and the bank balance was \$2,131,164 and \$1,768,539, respectively. At December 31, 2011 & 2010, 100% of Linn County's deposits and investments were covered by the Federal Deposit Insurance Corporation (FDIC) or were collateralized.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Deposits	\$ 2,105,242
Investments	-
Restricted Cash	-
Total Deposits & Investments as of December 31, 2011	<u><u>\$ 2,105,242</u></u>

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Deposits	\$ 1,678,532
Investments	-
Restricted Cash	-
Total Deposits & Investments as of December 31, 2010	<u><u>\$ 1,678,532</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Linn County's investment policy does not include custodial credit risk requirements. Linn County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011, and 2010.

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Linn County or its agent but not in the government's name. Linn County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Linn County or of a type that are not exposed to custodial credit risk.

**The County of Linn  
Linneus, Missouri  
Notes to Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 2 - Deposits and Investments (continued)**

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Linn County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by Linn County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Linn County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Linn County's deposits were not exposed to concentration of investment credit risk for the years ended in December 31, 2011 and 2010.

**Note 3 - Interfund Transfers**

Transfers between funds for the years ended December 31, 2011 and 2010 are as follows:

	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	\$ 68,282	\$ 84,154	\$ -	\$ 16,210
Road & Bridge	-	94,532	-	5,510
Assessment	-	19,847	-	4,681
Child Support Enforcement Grant	-	9,688	-	1,906
Medical Insurance	139,939	-	28,307	-
Total	<u>\$ 208,221</u>	<u>\$ 208,221</u>	<u>\$ 28,307</u>	<u>\$ 28,307</u>

**Note 4 - County Employees Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

**The County of Linn  
Linneus, Missouri  
Notes to Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 4 - County Employees Retirement Fund (CERF)**

Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF, employee contributions of approximately \$65,223 and \$54,238, respectively, for the years then ended.

**Note 5 - Prosecuting Attorney Retirement Fund**

In accordance with state statute Chapter 56.807 RSMo, Linn County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. Linn County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2011 and 2010.

**Note 6 - Post Employment Benefits**

Linn County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the Primary Government.

**Note 7 - Claims, Commitments, and Contingencies**

Litigation

Linn County is not involved in any pending litigations as of December 31, 2011.

Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation if vested and overtime, if applicable. Unused sick time is not reimbursed. These have not been subjected to auditing procedures.

**The County of Linn  
Linneus, Missouri  
Notes to Financial Statements  
Years Ended December 31, 2011 & 2010**

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**Note 8 - Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**Note 9 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 9, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Note 10 - Prior Period Adjustments**

January 1, 2009 cash has been restated to include the Child Support Enforcement Grant Fund, Juvenile Office Grant Fund, and Drug Court Grant Fund.

**Note 11 - Change in Accounting Basis**

Linn County, Missouri, has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted by Missouri State Law. The accounting change had no effect on the beginning cash balances of the various county funds.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Linn County, Missouri

We have audited the accompanying financial statements of Linn County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Linn County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Linn County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Linn County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Linn County, Missouri's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 11/10-1 through 11/10-4. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a

10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)



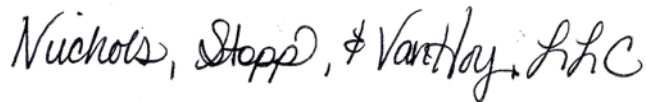
material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Linn County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs 11/10-5.

Linn County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Linn County, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHay, LHC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 9, 2012

**The County of Linn  
Linneus, Missouri  
Schedule of Findings and Responses  
Years ended December 31, 2011 & 2010**

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11/10-1 Condition: During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.

Effect: Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

Recommendation: We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

Management's Response: No. I am not a CPA or Accountant. I have worked diligently to compile all financial statements and provide accurate information for the auditors to do their external financial statements. However due to more reporting requirements in regards financial footnotes or disclosures another source or accountant could be checked into. The commissioners will take this under consideration.

11/10-2 Condition: Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: Internal Controls for Linn County were in place for 2010 and 2011 however they were not in a written document. We have complied with your request and the internal controls for Linn County were provided to you in a written narrative. These controls were again verbalized in person during the audit time. We will continue to review COSO Internal guidance materials and fine tune our internal controls. The plan will be reviewed and presented to Commissioners for approval.

11/10-3 Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

**The County of Linn  
Linneus, Missouri  
Schedule of Findings and Responses  
Years ended December 31, 2011 & 2010**

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- 11/10-3 (cont.) Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: Each office within the county government works separately but also together. If any inconsistency is detected it would be reviewed and brought before the commissioners. Once a year a meeting will be scheduled with Commissioners and Elected Officials in attendance to discuss and review any possible risks and course of actions to do to improve the county in any area of liability. A written policy will be formatted and worked on with the Commissioners to be adopted.

- 11/10-4 Condition: During our audit, we noted that checks for accounts payable and payroll were being signed by the Collector-Treasurer without notification the related expenditures were approved by the County Commission.

Effect: Without notification expenditures are approved by the Commission, improper or fraudulent cash disbursements could be made and not caught on a timely basis.

Cause: Weak controls over cash disbursements.

Recommendation: We recommend the Collector-Treasurer receive approval from the County Commission before signing accounts payable or payroll checks.

Management's Response: This has also been resolved. Copies of bills were always provided to the Collector-Treasurer with checks and files with the approved bills available. Upon your audit only one bill was missed as being stamped approved however it was approved in the batch report also approved and signed by commissioners. The Accounts payable narrative has been amended and it is as follow: Bills are checked out by the Clerk's Office. Reviewed and approved by commissioners individually. Expenditure reports by batch are signed by commissioners. Checks are made out by the Clerk's Office and presented to Collector-Treasurer along with the signed expenditure reports and a copy of the invoice. Collector-Treasurer signs and mails checks with invoice copy.

- 11/10-5 Condition: During our audit, we noted two County funds with actual expenditures that exceeded the budgeted expenditures for 2010, and one County fund which did not have a budget prepared for 2010. Also, the Senior Citizens Services Board had actual expenditures that exceeded the budgeted expenditures for 2010.

Effect: Missouri Statutes requires Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds the County is in violation of Missouri Revised Statutes.

Cause: Oversight

**The County of Linn  
Linneus, Missouri  
Schedule of Findings and Responses  
Years ended December 31, 2011 & 2010**

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11/10-5 Recommendation: We recommend that the County periodically review its actual expenditures as compared to  
(cont.) budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The county budgets are reviewed. Copies of expenditures are provided to offices at the beginning of the year with their approved budgets. Quarterly reports are provided to all offices and the Sheriff's Department receives reports monthly. Two budgets did go over however that happened in the last month December which is year end. We close books earlier in December to get actuals and balance for year end. We were unable time wise to amend the budget. We will continue to monitor and work on budgets and expenditures to comply with statutes. The Senior Citizens Services Board is separate from the County but will work with them. This also was the first year for this new board. The one county Fund that did not have a budget was the new self-insurance health plan with ECCHIC. We were unsure in December whether this option and insurance would be approved. Upon approval of insurance a new budget was set up and adopted. The money was previously budgeted but under a line item in the general fund medical insurance.

**The County of Linn  
Linneus, Missouri  
Follow-Up on Prior Audit Findings for an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Linn County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009.

**Prior Year Financial Statement Findings**

None

**Prior Year Federal Award Findings and Questioned Cost**

None



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Chariton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Chariton County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Casey-Beard-Boehmer PC, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-100

**INDEPENDENT AUDITORS' REPORT**

**CHARITON COUNTY, MISSOURI**

**FOR THE YEARS ENDED**  
**DECEMBER 31, 2011 AND 2010**

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**CASEY-BEARD-BOEHMER PC  
CERTIFIED PUBLIC ACCOUNTANTS  
COLUMBIA, MISSOURI**

# CHARITON COUNTY, MISSOURI

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## **INDEPENDENT AUDITORS' REPORT**

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

July 3, 2012

## INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Chariton County, Missouri

We have audited the accompanying financial statements of Chariton County, Missouri, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of Chariton County, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, Chariton County, Missouri, prepares its financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Chariton County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts, disbursements, and changes in cash of the funds of Chariton County, Missouri, as of December 31, 2011 and 2010, and budgetary results for the years then ended, on the basis of accounting described in Note 1.

MEMBER  
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American  
Institute of  
Certified  
Public  
Accountants  
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Missouri  
Society of  
Certified  
Public  
Accountants  
•

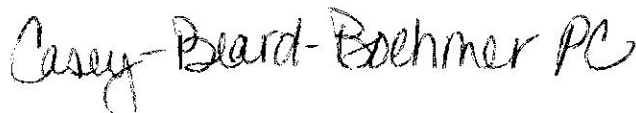
**CHARITON COUNTY, MISSOURI**  
**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2012 on our consideration of Chariton County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the county's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Chariton County, Missouri. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

This report is intended solely for the information and use of management, County Commission and other boards, others within the entity, the Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC  
Certified Public Accountants

## **FINANCIAL SECTION**

**CHARITON COUNTY, MISSOURI**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Fund	Cash January 1, 2010	Receipts	Disbursements	Cash December 31, 2010	Receipts	Disbursements	Cash December 31, 2011
General Revenue	\$ 1,099,331	1,789,521	1,429,137	1,459,715	1,593,693	1,451,256	1,602,152
Special Road and Bridge	455,324	844,283	813,951	485,656	1,438,156	1,342,329	581,483
Assessment	100,600	189,444	165,899	124,145	227,171	170,657	180,659
Law Enforcement Sales Tax	-	541,429	537,542	3,887	539,465	543,352	-
Election Services	7,484	10,754	10,718	7,520	7,167	9,889	4,798
Tax Maintenance	15,447	9,565	10,793	14,219	10,242	8,134	16,327
Deputy Sheriff Supplemental	146	3,596	3,652	90	3,627	3,278	439
Law Enforcement Training	4,094	1,533	2,786	2,841	1,798	2,522	2,117
Prosecuting Attorney Training	151	372	330	193	293	315	171
Prosecuting Attorney Tax Fee	163	3	-	166	3	-	169
Law Enforcement Restitution	-	-	-	-	6,662	-	6,662
Victims of Domestic Violence	251	236	250	237	228	250	215
Prosecuting Attorney Bad Check	14,346	4,158	5,368	13,136	2,527	4,505	11,158
Recorder	5,640	5,688	8,286	3,042	7,493	13,235	(2,700)
Sheriff's	10,976	8,666	12,097	7,545	9,663	7,079	10,129
Local Emergency Planning Committee	17,794	2,000	10,255	9,539	6,145	4,945	10,739
Grant	3,015	71,882	71,879	3,018	10,120	7,823	5,315
Drainage District #3	8,490	709	-	9,199	767	-	9,966
Drainage District #4	155,315	19,885	35,000	140,200	22,821	-	163,021
Drainage District #6	2,330	240	-	2,570	290	-	2,860
Drainage District #7	13,565	1,043	110	14,498	1,295	-	15,793
Drainage District #8	563	2	482	83	2	-	85
Drainage District #17	121	2	-	123	2	-	125
Drainage District #18	13,979	1,327	-	15,306	923	-	16,229
Drainage District #19	14,860	273	2,810	12,323	231	-	12,554
Drainage District #20	31,632	2,892	-	34,524	3,064	-	37,588
Senate Bill 40 Board	203,082	126,544	89,443	240,183	169,838	136,152	273,869
E-911 Board	949,386	279,863	301,740	927,509	1	-	-
Totals	\$ 3,128,085	3,915,910	3,512,528	3,531,467	4,063,686	3,705,721	2,961,923

1 Balance presented is as of August 31, 2010.

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>General Revenue Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Property taxes	\$ 503,500	544,441	40,941	\$ 443,000	433,105	(9,895)
Sales taxes	412,000	359,470	(52,530)	740,000	726,708	(13,292)
Intergovernmental	113,250	86,333	(26,917)	107,750	98,585	(9,165)
Charges for services	394,850	419,020	24,170	355,350	335,726	(19,624)
Interest	27,600	33,454	5,854	38,000	29,670	(8,330)
Other	178,630	150,930	(27,700)	184,495	165,443	(19,052)
Transfers in	300	45	(255)	60,025	284	(59,741)
Total Receipts	\$ 1,630,130	1,593,693	(36,437)	\$ 1,928,620	1,789,521	(139,099)
<b>DISBURSEMENTS</b>						
General County Government-						
County Commission	\$ 82,562	79,354	(3,208)	\$ 80,130	76,662	(3,468)
County Clerk	113,584	101,201	(12,383)	113,106	101,159	(11,947)
Elections	25,350	15,565	(9,785)	50,850	39,732	(11,118)
Buildings and grounds	481,370	393,894	(87,476)	321,624	162,286	(159,338)
Employee fringe benefits	151,000	140,719	(10,281)	146,970	137,706	(9,264)
County Collector/Treasurer	85,114	83,137	(1,977)	86,604	79,820	(6,784)
Circuit Clerk	44,276	36,010	(8,266)	42,571	35,103	(7,468)
Court Administration	25,126	9,011	(16,115)	30,742	23,899	(6,843)
Public Administrator	23,550	22,604	(946)	22,050	21,077	(973)
Other	173,200	159,643	(13,557)	174,635	161,544	(13,091)
Public Safety-						
Sheriff	234,125	160,575	(73,550)	229,111	195,726	(33,385)
Jail	80,000	54,589	(25,411)	79,718	60,457	(19,261)
Prosecuting Attorney	77,770	71,261	(6,509)	75,481	70,994	(4,487)
Juvenile Officer	17,870	11,154	(6,716)	18,070	10,944	(7,126)
County Coroner	22,244	18,771	(3,473)	19,227	13,373	(5,854)
Transfers out	231,733	93,768	(137,965)	238,710	238,655	(55)
Emergency Fund	55,600	-	(55,600)	57,900	-	(57,900)
Total Disbursements	\$ 1,924,474	1,451,256	(473,218)	\$ 1,787,499	1,429,137	(358,362)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (294,344)	142,437	436,781	\$ 141,121	360,384	219,263
CASH, JANUARY 1	1,459,715	1,459,715	-	1,099,331	1,099,331	-
CASH, DECEMBER 31	\$ 1,165,371	1,602,152	436,781	\$ 1,240,452	1,459,715	219,263

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Special Road and Bridge Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Intergovernmental	\$ 1,711,700	1,420,506	(291,194)	\$ 1,621,225	814,382	(806,843)
Interest	12,000	12,465	465	19,000	10,911	(8,089)
Other	2,250	5,185	2,935	2,500	16,421	13,921
Transfers in	-	-	-	2,600	2,569	(31)
Total Receipts	\$ 1,725,950	1,438,156	(287,794)	\$ 1,645,325	844,283	(801,042)
<b>DISBURSEMENTS</b>						
Salaries	\$ 123,720	120,833	(2,887)	\$ 121,328	111,053	(10,275)
Employee fringe benefits	50,700	47,220	(3,480)	52,100	40,671	(11,429)
Materials and supplies	36,150	18,647	(17,503)	28,000	19,121	(8,879)
Insurance	12,800	7,237	(5,563)	12,746	11,805	(941)
Equipment repairs	47,000	24,735	(22,265)	26,000	18,485	(7,515)
Equipment purchases	11,232	7,417	(3,815)	32,000	4,007	(27,993)
Road and bridge construction	709,645	595,443	(114,202)	733,000	592,532	(140,468)
Services and other	776,100	520,797	(255,303)	940,164	16,277	(923,887)
Transfers out	-	-	-	49,500	-	(49,500)
Total Disbursements	\$ 1,767,347	1,342,329	(425,018)	\$ 1,994,838	813,951	(1,180,887)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (41,397)	95,827	137,224	\$ (349,513)	30,332	379,845
CASH, JANUARY 1	485,656	485,656	-	455,324	455,324	-
CASH, DECEMBER 31	\$ 444,259	581,483	137,224	\$ 105,811	485,656	379,845

<b>Assessment Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Intergovernmental	\$ 225,832	222,145	(3,687)	\$ 200,092	185,130	(14,962)
Interest	2,900	3,735	835	3,000	2,825	(175)
Other	1,200	1,291	91	1,300	1,489	189
Total Receipts	\$ 229,932	227,171	(2,761)	\$ 204,392	189,444	(14,948)
<b>DISBURSEMENTS</b>						
Assessor	\$ 36,300	36,300	-	\$ 36,000	36,000	-
Salaries	71,953	70,884	(1,069)	70,861	70,786	(75)
Employee fringe benefits	40,448	39,331	(1,117)	39,831	38,419	(1,412)
Materials and supplies	19,000	4,920	(14,080)	17,500	4,081	(13,419)
Services and other	109,150	19,222	(89,928)	30,350	16,613	(13,737)
Total Disbursements	\$ 276,851	170,657	(106,194)	\$ 194,542	165,899	(28,643)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (46,919)	56,514	103,433	\$ 9,850	23,545	13,695
CASH, JANUARY 1	124,145	124,145	-	100,600	100,600	-
CASH, DECEMBER 31	\$ 77,226	180,659	103,433	\$ 110,450	124,145	13,695

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Law Enforcement Sales Tax Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Sales taxes	\$ 262,000	280,526	18,526	\$ 260,000	262,810	2,810
Intergovernmental	60,000	147,180	87,180	50,000	21,150	(28,850)
Interest	500	519	19	500	380	(120)
Other	19,160	18,660	(500)	19,210	19,779	569
Transfers in	228,014	92,580	(135,434)	212,212	237,310	25,098
Total Receipts	\$ 569,674	539,465	(30,209)	\$ 541,922	541,429	(493)
<b>DISBURSEMENTS</b>						
Salary-Sheriff and deputies	\$ 257,285	248,839	(8,446)	\$ 242,545	242,544	(1)
Salary-dispatchers and cooks	181,976	172,674	(9,302)	178,149	176,807	(1,342)
Employee fringe benefits	134,300	121,839	(12,461)	130,670	118,191	(12,479)
Total Disbursements	\$ 573,561	543,352	(30,209)	\$ 551,364	537,542	(13,822)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,887)	(3,887)	-	\$ (9,442)	3,887	13,329
CASH, JANUARY 1	3,887	3,887	-	-	-	-
CASH, DECEMBER 31	\$ -	-	-	\$ (9,442)	3,887	13,329

**Election Services Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>RECEIPTS</b>						
Intergovernmental	\$ 9,825	6,687	(3,138)	\$ 16,400	10,632	(5,768)
Interest	125	155	30	100	122	22
Transfers in	-	325	325	-	-	-
Total Receipts	\$ 9,950	7,167	(2,783)	\$ 16,500	10,754	(5,746)
<b>DISBURSEMENTS</b>						
Election expenses	\$ 11,920	9,889	(2,031)	\$ 20,200	10,718	(9,482)
Total Disbursements	\$ 11,920	9,889	(2,031)	\$ 20,200	10,718	(9,482)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,970)	(2,722)	(752)	\$ (3,700)	36	3,736
CASH, JANUARY 1	7,520	7,520	-	7,484	7,484	-
CASH, DECEMBER 31	\$ 5,550	4,798	(752)	\$ 3,784	7,520	3,736

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS



**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Tax Maintenance Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 9,035	9,827	792	\$ 9,000	9,050	50
Interest	345	331	(14)	300	345	45
Other	180	84	(96)	100	170	70
Total Receipts	\$ 9,560	10,242	682	\$ 9,400	9,565	165
DISBURSEMENTS						
Materials and supplies	\$ 3,175	2,857	(318)	\$ 12,575	8,957	(3,618)
Services and other	13,300	5,277	(8,023)	2,255	1,836	(419)
Total Disbursements	\$ 16,475	8,134	(8,341)	\$ 14,830	10,793	(4,037)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,915)	2,108	9,023	\$ (5,430)	(1,228)	4,202
CASH, JANUARY 1	14,219	14,219	-	15,447	15,447	-
CASH, DECEMBER 31	\$ 7,304	16,327	9,023	\$ 10,017	14,219	4,202

<b>Deputy Sheriff Supplemental Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 3,398	3,625	227	\$ 3,298	3,594	296
Interest	2	2	-	2	2	-
Total Receipts	\$ 3,400	3,627	227	\$ 3,300	3,596	296
DISBURSEMENTS						
Other	\$ 3,400	3,278	(122)	\$ 3,655	3,652	(3)
Total Disbursements	\$ 3,400	3,278	(122)	\$ 3,655	3,652	(3)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	349	349	\$ (355)	(56)	299
CASH, JANUARY 1	90	90	-	146	146	-
CASH, DECEMBER 31	\$ 90	439	349	\$ (209)	90	299

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Law Enforcement Training Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 2,000	1,749	(251)	\$ 3,150	1,456	(1,694)
Interest	100	49	(51)	100	77	(23)
Total Receipts	\$ 2,100	1,798	(302)	\$ 3,250	1,533	(1,717)
DISBURSEMENTS						
Training	\$ 1,050	885	(165)	\$ 1,050	890	(160)
Services and other	1,400	1,048	(352)	1,250	1,211	(39)
Other	950	589	(361)	950	685	(265)
Total Disbursements	\$ 3,400	2,522	(878)	\$ 3,250	2,786	(464)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,300)	(724)	576	\$ -	(1,253)	(1,253)
CASH, JANUARY 1	2,841	2,841	-	4,094	4,094	-
CASH, DECEMBER 31	\$ 1,541	2,117	576	\$ 4,094	2,841	(1,253)

<b>Prosecuting Attorney Training Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 367	291	(76)	\$ 398	369	(29)
Interest	3	2	(1)	2	3	1
Total Receipts	\$ 370	293	(77)	\$ 400	372	(28)
DISBURSEMENTS						
Training	\$ 300	115	(185)	\$ 300	230	(70)
Materials and other	200	200	-	100	100	-
Total Disbursements	\$ 500	315	(185)	\$ 400	330	(70)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (130)	(22)	108	\$ -	42	42
CASH, JANUARY 1	193	193	-	151	151	-
CASH, DECEMBER 31	\$ 63	171	108	\$ 151	193	42

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**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Prosecuting Attorney Tax Fee Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 3	3	-	\$ 10	3	(7)
Total Receipts	\$ 3	3	-	\$ 10	3	(7)
DISBURSEMENTS						
Materials and supplies	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3	3	-	\$ 10	3	(7)
CASH, JANUARY 1	166	166	-	163	163	-
CASH, DECEMBER 31	\$ 169	169	-	\$ 173	166	(7)

<b>Law Enforcement Restitution Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Other	\$ 1,000	6,600	5,600	\$ -	-	-
Interest	-	62	62	-	-	-
Total Receipts	\$ 1,000	6,662	5,662	\$ -	-	-
DISBURSEMENTS						
Equipment	\$ 1,000	-	(1,000)	\$ -	-	-
Total Disbursements	\$ 1,000	-	(1,000)	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	6,662	6,662	\$ -	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	6,662	6,662	\$ -	-	-

<b>Victims of Domestic Violence Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over ( Under) Budget
RECEIPTS						
Charges for services	\$ 225	225	-	\$ 200	230	30
Interest	5	3	(2)	2	6	4
Total Receipts	\$ 230	228	(2)	\$ 202	236	34
DISBURSEMENTS						
Expenses (shelter)	\$ 250	250	-	\$ 250	250	-
Total Disbursements	\$ 250	250	-	\$ 250	250	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (20)	(22)	(2)	\$ (48)	(14)	34
CASH, JANUARY 1	237	237	-	251	251	-
CASH, DECEMBER 31	\$ 217	215	(2)	\$ 203	237	34

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**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Prosecuting Attorney Bad Check Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 1,850	2,285	435	\$ 1,850	2,055	205
Interest	220	242	22	300	238	(62)
Other	-	-	-	-	1,865	1,865
Total Receipts	\$ 2,070	2,527	457	\$ 2,150	4,158	2,008
DISBURSEMENTS						
Supplies and equipment	\$ 7,750	4,245	(3,505)	\$ 9,500	5,013	(4,487)
Other	355	260	(95)	500	355	(145)
Total Disbursements	\$ 8,105	4,505	(3,600)	\$ 10,000	5,368	(4,632)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,035)	(1,978)	4,057	\$ (7,850)	(1,210)	6,640
CASH, JANUARY 1	13,136	13,136	-	14,346	14,346	-
CASH, DECEMBER 31	\$ 7,101	11,158	4,057	\$ 6,496	13,136	6,640

<b>Recorder Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 8,950	7,467	(1,483)	\$ 6,200	5,602	(598)
Interest	100	26	(74)	225	86	(139)
Transfers in	2,525	-	(2,525)	-	-	-
Total Receipts	\$ 11,575	7,493	(4,082)	\$ 6,425	5,688	(737)
DISBURSEMENTS						
Office expenses	\$ 13,824	13,235	(589)	\$ 10,200	8,286	(1,914)
Total Disbursements	\$ 13,824	13,235	(589)	\$ 10,200	8,286	(1,914)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,249)	(5,742)	(3,493)	\$ (3,775)	(2,598)	1,177
CASH, JANUARY 1	3,042	3,042	-	5,640	5,640	-
CASH, DECEMBER 31	\$ 793	(2,700)	(3,493)	\$ 1,865	3,042	1,177

<b>Sheriff's Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Charges for services	\$ 10,000	7,768	(2,232)	\$ 10,000	7,301	(2,699)
Interest	200	175	(25)	200	165	(35)
Other	1,000	1,720	720	350	1,200	850
Total Receipts	\$ 11,200	9,663	(1,537)	\$ 10,550	8,666	(1,884)
DISBURSEMENTS						
Supplies and equipment	\$ 13,030	7,079	(5,951)	\$ 16,730	12,097	(4,633)
Total Disbursements	\$ 13,030	7,079	(5,951)	\$ 16,730	12,097	(4,633)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,830)	2,584	4,414	\$ (6,180)	(3,431)	2,749
CASH, JANUARY 1	7,545	7,545	-	10,976	10,976	-
CASH, DECEMBER 31	\$ 5,715	10,129	4,414	\$ 4,796	7,545	2,749

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**CHARITON COUNTY, MISSOURI**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -**  
**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Local Emergency Planning Committee Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 4,155	6,145	1,990	\$ 6,000	2,000	(4,000)
Total Receipts	\$ 4,155	6,145	1,990	\$ 6,000	2,000	(4,000)
DISBURSEMENTS						
Salaries	\$ 2,075	1,650	(425)	\$ 3,000	3,000	-
Employee fringe benefits	-	-	-	839	818	(21)
Material and supplies	3,615	1,995	(1,620)	3,370	3,235	(135)
Grants	1,300	1,300	-	4,500	3,202	(1,298)
Total Disbursements	\$ 6,990	4,945	(2,045)	\$ 11,709	10,255	(1,454)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,835)	1,200	4,035	\$ (5,709)	(8,255)	(2,546)
CASH, JANUARY 1	9,539	9,539	-	17,794	17,794	-
CASH, DECEMBER 31	\$ 6,704	10,739	4,035	\$ 12,085	9,539	(2,546)

<b>Grant Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Intergovernmental	\$ 43,561	10,120	(33,441)	\$ 254,143	71,882	(182,261)
Total Receipts	\$ 43,561	10,120	(33,441)	\$ 254,143	71,882	(182,261)
DISBURSEMENTS						
Expenses	\$ 41,838	7,749	(34,089)	\$ 244,122	69,310	(174,812)
Transfers out	4,741	74	(4,667)	13,036	2,569	(10,467)
Total Disbursements	\$ 46,579	7,823	(38,756)	\$ 257,158	71,879	(185,279)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,018)	2,297	5,315	\$ (3,015)	3	3,018
CASH, JANUARY 1	3,018	3,018	-	3,015	3,015	-
CASH, DECEMBER 31	\$ -	5,315	5,315	\$ -	3,018	3,018

<b>Drainage District #3 Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 565	585	20	\$ 600	548	(52)
Interest	235	182	(53)	300	161	(139)
Total Receipts	\$ 800	767	(33)	\$ 900	709	(191)
DISBURSEMENTS						
Material and supplies	\$ 50	-	(50)	\$ 50	-	(50)
Services and other	4,000	-	(4,000)	4,000	-	(4,000)
Total Disbursements	\$ 4,050	-	(4,050)	\$ 4,050	-	(4,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,250)	767	4,017	\$ (3,150)	709	3,859
CASH, JANUARY 1	9,199	9,199	-	8,490	8,490	-
CASH, DECEMBER 31	\$ 5,949	9,966	4,017	\$ 5,340	9,199	3,859

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**CHARITON COUNTY, MISSOURI**  
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**BUDGET AND ACTUAL - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Drainage District #4 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 17,600	19,910	2,310	\$ 18,400	16,857	(1,543)
Interest	3,000	2,911	(89)	5,000	3,028	(1,972)
Total Receipts	\$ 20,600	22,821	2,221	\$ 23,400	19,885	(3,515)
DISBURSEMENTS						
Materials and supplies	\$ 300	-	(300)	\$ 2,000	-	(2,000)
Services and other	80,000	-	(80,000)	100,000	35,000	(65,000)
Total Disbursements	\$ 80,300	-	(80,300)	\$ 102,000	35,000	(67,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (59,700)	22,821	82,521	\$ (78,600)	(15,115)	63,485
CASH, JANUARY 1	140,200	140,200	-	155,315	155,315	-
CASH, DECEMBER 31	\$ 80,500	163,021	82,521	\$ 76,715	140,200	63,485

**Drainage District #6 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 180	240	60	\$ 180	192	12
Interest	50	50	-	100	48	(52)
Total Receipts	\$ 230	290	60	\$ 280	240	(40)
DISBURSEMENTS						
Materials and supplies	\$ 50	-	(50)	\$ 50	-	(50)
Services and other	1,000	-	(1,000)	1,000	-	(1,000)
Total Disbursements	\$ 1,050	-	(1,050)	\$ 1,050	-	(1,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (820)	290	1,110	\$ (770)	240	1,010
CASH, JANUARY 1	2,570	2,570	-	2,330	2,330	-
CASH, DECEMBER 31	\$ 1,750	2,860	1,110	\$ 1,560	2,570	1,010

**Drainage District #7 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 780	1,010	230	\$ 800	782	(18)
Interest	295	285	(10)	400	261	(139)
Total Receipts	\$ 1,075	1,295	220	\$ 1,200	1,043	(157)
DISBURSEMENTS						
Materials and supplies	\$ 50	-	(50)	\$ 50	-	(50)
Services and other	7,000	-	(7,000)	7,500	110	(7,390)
Total Disbursements	\$ 7,050	-	(7,050)	\$ 7,550	110	(7,440)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,975)	1,295	7,270	\$ (6,350)	933	7,283
CASH, JANUARY 1	14,498	14,498	-	13,565	13,565	-
CASH, DECEMBER 31	\$ 8,523	15,793	7,270	\$ 7,215	14,498	7,283

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**CHARITON COUNTY, MISSOURI**  
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**Drainage District #8 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 3	2	(1)	\$ 1	2	1
Total Receipts	\$ 3	2	(1)	\$ 1	2	1
DISBURSEMENTS						
Transfer out	\$ -	-	-	\$ 483	482	(1)
Total Disbursements	\$ -	-	-	\$ 483	482	(1)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3	2	(1)	\$ (482)	(480)	2
CASH, JANUARY 1	83	83	-	563	563	-
CASH, DECEMBER 31	\$ 86	85	(1)	\$ 81	83	2

**Drainage District #17 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 3	2	(1)	\$ 5	2	(3)
Total Receipts	\$ 3	2	(1)	\$ 5	2	(3)
DISBURSEMENTS						
Materials and supplies	\$ -	-	-	\$ -	-	-
Total Disbursements	\$ -	-	-	\$ -	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3	2	(1)	\$ 5	2	(3)
CASH, JANUARY 1	123	123	-	121	121	-
CASH, DECEMBER 31	\$ 126	125	(1)	\$ 126	123	(3)

**Drainage District #18 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 620	626	6	\$ 1,100	1,044	(56)
Interest	280	297	17	430	283	(147)
Total Receipts	\$ 900	923	23	\$ 1,530	1,327	(203)
DISBURSEMENTS						
Materials and supplies	\$ 50	-	(50)	\$ 50	-	(50)
Services and other	5,000	-	(5,000)	6,000	-	(6,000)
Total Disbursements	\$ 5,050	-	(5,050)	\$ 6,050	-	(6,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,150)	923	5,073	\$ (4,520)	1,327	5,847
CASH, JANUARY 1	15,306	15,306	-	13,979	13,979	-
CASH, DECEMBER 31	\$ 11,156	16,229	5,073	\$ 9,459	15,306	5,847

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**CHARITON COUNTY, MISSOURI**  
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**Drainage District #19 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Interest	\$ 280	231	(49)	\$ 350	273	(77)
Total Receipts	\$ 280	231	(49)	\$ 350	273	(77)
DISBURSEMENTS						
Materials and supplies	\$ -	-	-	\$ 50	-	(50)
Services and other	3,500	-	(3,500)	2,810	2,810	-
Total Disbursements	\$ 3,500	-	(3,500)	\$ 2,860	2,810	(50)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,220)	231	3,451	\$ (2,510)	(2,537)	(27)
CASH, JANUARY 1	12,323	12,323	-	14,860	14,860	-
CASH, DECEMBER 31	\$ 9,103	12,554	3,451	\$ 12,350	12,323	(27)

**Drainage District #20 Fund**

	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 2,300	2,374	74	\$ 2,450	2,259	(191)
Interest	650	690	40	1,100	633	(467)
Total Receipts	\$ 2,950	3,064	114	\$ 3,550	2,892	(658)
DISBURSEMENTS						
Materials and supplies	\$ 50	-	(50)	\$ 50	-	(50)
Services and other	8,000	-	(8,000)	8,000	-	(8,000)
Total Disbursements	\$ 8,050	-	(8,050)	\$ 8,050	-	(8,050)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,100)	3,064	8,164	\$ (4,500)	2,892	7,392
CASH, JANUARY 1	34,524	34,524	-	31,632	31,632	-
CASH, DECEMBER 31	\$ 29,424	37,588	8,164	\$ 27,132	34,524	7,392



**CHARITON COUNTY, MISSOURI**  
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**BUDGET AND ACTUAL - REGULATORY BASIS**  
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<b>Senate Bill 40 Board Fund</b>						
	2011			2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Property taxes	\$ 167,342	164,882	(2,460)	\$ 127,001	121,702	(5,299)
Intergovernmental	3	150	147	3	135	132
Interest	4,000	4,806	806	4,500	4,707	207
Total Receipts	\$ 171,345	169,838	(1,507)	\$ 131,504	126,544	(4,960)
DISBURSEMENTS						
Contracted services	\$ 50,534	18,026	(32,508)	\$ 50,534	19,536	(30,998)
County workshop	213,395	117,448	(95,947)	108,500	69,897	(38,603)
Miscellaneous	1,034	678	(356)	560	10	(550)
Total Disbursements	\$ 264,963	136,152	(128,811)	\$ 159,594	89,443	(70,151)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (93,618)	33,686	127,304	\$ (28,090)	37,101	65,191
CASH, JANUARY 1	240,183	240,183	-	203,082	203,082	-
CASH, DECEMBER 31	\$ 146,565	273,869	127,304	\$ 174,992	240,183	65,191

<b>E-911 Fund</b>						
	2011			January 1 through August 31, 2010		
	Final Budget	Actual	Actual Over (Under) Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS						
Sales taxes	\$ -	-	-	\$ 246,192	254,431	8,239
Other	-	-	-	19	6,430	6,411
Interest	-	-	-	19,414	19,002	(412)
Total Receipts	\$ -	-	-	\$ 265,625	279,863	14,238
DISBURSEMENTS						
Salaries	\$ -	-	-	\$ 202,648	206,152	3,504
Employee fringe benefits	-	-	-	31,038	32,250	1,212
Materials and supplies	-	-	-	3,240	3,121	(119)
Services and other	-	-	-	62,981	59,288	(3,693)
Capital outlay	-	-	-	8,100	929	(7,171)
Total Disbursements	\$ -	-	-	\$ 308,007	301,740	(6,267)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	-	-	\$ (42,382)	(21,877)	20,505
CASH, JANUARY 1	-	-	-	949,386	949,386	-
CASH, DECEMBER 31	\$ -	-	-	\$ 907,004	927,509	20,505

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS

## **NOTES TO FINANCIAL STATEMENTS**

**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Chariton County, Missouri is governed by a three-member board of commissioners. In addition to the three board members, there are eight elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk/Recorder, Collector/Treasurer, Coroner, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1.C., these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

**1. A. REPORTING ENTITY**

The county's operations include tax assessments and collections, state/county courts administration, county recorder, public safety and 911, economic development, road and bridge maintenance, public welfare, and social and human services. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senate Bill 40 Board, and the Emergency 911 Board.

The financial statements referred to above include the primary government of Chariton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise the county's legal entity. This includes the Senate Bill 40 Board Fund through December 31, 2011, and the Emergency 911 Board Fund through August 31, 2010. Effective August 28, 2010, state law provided that the 911 Board would be considered a separate governing body.

**1. B. BASIS OF PRESENTATION**

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The county's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The county's expendable financial resources are accounted for through governmental funds.

Fiduciary (Agency) Funds - Certain county officials, particularly the County Collector/Treasurer, Public Administrator, and Sheriff, may collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held for the benefit of external parties, are held in fiduciary (agency) funds which are custodial in nature, and are not reported on the accompanying financial statements.

**1. C. BASIS OF ACCOUNTING**

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. D. BUDGETS AND BUDGETARY ACCOUNTING**

The county follows these procedures in establishing the budget information:

1. In accordance with Chapter 50 RSMo, the county's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer or department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year. The Senate Bill 40 officials and the Emergency 911 Director prepares and submits their budgets to the respective boards for review.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. In 2010, the Law Enforcement Sales Tax Fund had a deficit budgeted cash balance of \$9,442 and the Deputy Sheriff Supplemental Fund had a deficit budgeted cash balance of \$209. No other funds had a deficit budgeted cash balance for 2011 and 2010.
5. In 2011, the Recorder Fund had a deficit ending cash balance of \$2,700 due to overspending of the beginning cash balance and actual receipts for the year.
6. A public hearing is conducted to obtain public comment on the budget documents. Prior to approval by the County Commission, Senate Bill 40 Board, and the Emergency 911 Board, the budget documents are available for public inspection.
7. Prior to February 1, the budget is legally enacted by a vote of the County Commission, the Senate Bill Board, and the Emergency 911 Board.
8. Subsequent to its formal approval of the budget, the County Commission, Senate Bill 40 Board, and the Emergency 911 Board have the authority to make necessary adjustments to the budget by formal vote of the Commission and elected boards. Budgeted amounts are as originally adopted, or as amended by the County Commission or elected boards during the year. The County Commission amended budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue	2011 and 2010
Special Road and Bridge	2011 and 2010
Recorder	2011 and 2010
Election Services	2011
Drainage District #19	2011 and 2010
Law Enforcement Sales Tax	2010
Tax Maintenance	2010
Deputy Sheriff Supplemental	2010
Sheriff's	2010

9. Budgets are prepared and adopted on the cash basis of accounting.

**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. E. USE OF ESTIMATES**

The preparation of financial statements in conformity with the cash basis of accounting used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**1. F. PROPERTY TAXES**

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as on January 1. Taxes are levied in September and payable by December 31. Taxes paid after December 31 are delinquent and subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments in the county.

The assessed valuation of the tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

		2011		2010
Real Estate	\$	59,230,110	\$	58,595,050
Personal Property		29,963,540		29,022,190
Railroad and Utilities		82,773,328		80,406,110
Total Assessed Valuation	\$	<u>171,966,978</u>	\$	<u>168,023,350</u>

The county-wide levy per \$100 of the assessed valuation of tangible property for the calendar year 2011 and 2010 for purposes of local taxation was:

		2011		2010
General Revenue Fund	\$	.3150	\$	.3150
Senate Bill 40	\$	.1000	\$	.0992

**1. G. CASH DEPOSITS AND INVESTMENTS**

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less; however, nonnegotiable certificates of deposit with original maturity of greater than ninety days is considered as cash equivalents. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the county's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1. H. INTERFUND ACTIVITY**

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing. Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

Transfers between funds of the primary government for the years ended December 31, 2011 and 2010 were as follows:

	Year Ended December 31, 2011	
	Transfers In	Transfers Out
<b>FUNDS:</b>		
General Fund	\$ 45	\$ 93,768
Law Enforcement Sales Tax Fund	92,580	-
Election Services Fund	325	-
Grant Fund	-	74
Totals	\$ <u>92,950</u>	\$ <u>93,842</u>

	Year Ended December 31, 2010	
	Transfers In	Transfers out
<b>FUNDS:</b>		
General Fund	\$ 284	\$ 238,655
Special Road and Bridge Fund	2,569	-
Law Enforcement Sales Tax Fund	237,310	-
Grant Fund	-	2,569
Drainage District # 8 Fund	-	482
Totals	\$ <u>240,163</u>	\$ <u>241,706</u>

The difference between transfers in and transfers out are mainly related to transfers recorded on the budget documents in various funds that were either not actually transfers between governmental funds but payments to or from county fiduciary funds or shown within receipts and disbursements in the corresponding governmental funds.

**1. I. PUBLISHED FINANCIAL STATEMENTS**

Under Section 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. For the years ended December 31, 2011 and 2010, the published financial statements included all funds and the required information.

**NOTE 2. CASH AND INVESTMENTS**

The county has determined through experience that checking accounts, savings accounts, negotiable order withdrawal (NOW) accounts, money market accounts, and certificates of deposits are appropriate types of accounts or instruments for its needs. The county maintains a cash and

**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is included on the financial statements as "Cash" under each fund's caption.

Disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks and savings institutions.

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

At December 31, 2011 and 2010, the total of all county's deposits (including the Treasurer/Ex-Officio Collector) held at the respective depository banks were adequately covered by Federal Depository Insurance Coverage and with additional collateral held at the Federal Reserve Bank in the county's name or by its agent in the county's name.

In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted a written investment policy in accordance with applicable state law.

At December 31, 2011 and 2010, the Senate Bill 40 Board's bank deposits and certificates of deposit held at the respective depository banks were entirely covered by Federal Depository Insurance Coverage.

At August 31, 2010, the Emergency 911 Board's bank deposits and certificates of deposit held at the respective depository banks were adequately covered by Federal Depository Insurance Coverage and with additional collateral securities pledged.

**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS**

The following information is presented in accordance with the Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employees":

**A. Missouri Local Government Employees Retirement System (LAGERS)**

**1) Plan Description**

Chariton County participates in the Missouri Local Government Employees' Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined

**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)**

pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute, section RSMo 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax-exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-477-4334.

**2) Pension Benefits**

Upon termination of employment, any member who is vested is entitled to either an unreduced benefit annuity, payable at age sixty (police and fire fighters, age fifty-five), or a reduced benefit annuity, payable at age fifty-five (police and fire fighters, age fifty). Any member with less than five years of creditable service will be refunded accumulated plan contributions.

**3) Funding Policy**

The county's full-time employees are required to contribute 4% to the LAGERS pension plan. The county is required by state statute to contribute at an actuarially determined rate: the rate for 2011 was 11.6% (general) and 8.2% (police) and for 2010 the rate contributed was 11.10% (general) and 7.2% (police) of annual covered payroll. The County Commission determines the contribution requirements of plan members. The contribution provisions of the county are established by state statute.

**4) Annual Pension Cost**

For 2011 and 2010, total payments to LAGERS were \$99,848 and \$91,109, respectively.

**B. County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund (CERF) was established by the state of Missouri to provide pension benefits for county officials and employees.

**1) Plan Description**

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties of not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under sections 56.800 to 56.840, RSMo; circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System; county sheriffs covered under sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the Fund and the investment of the Fund are vested in a board of directors of nine persons.



**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 3. COUNTY EMPLOYEES' RETIREMENT PLANS (CONTINUED)**

2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service or at the age of fifty-five with reduced benefits. The monthly benefit for county employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). An eligible death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two or a reduced benefit annuity at age fifty-five. Any member with less than eight years of creditable service forfeits all rights in the Fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling toll-free 1-877-632-2373.

3) Funding Policy

In accordance with state statutes, the Fund is partially funded through various fees collected by counties and remitted to the CERF. A contribution to CERF of 0% (LAGERS member) or 2% (non-LAGERS member) of annual salary is required for eligible employees hired before February 25, 2002. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% (LAGERS member) or 6% (non-LAGERS member) in order to participate in CERF. During 2011 and 2010, the county collected and remitted to CERF \$49,826 and \$46,926, respectively, for the years then ended.

**NOTE 4. POST EMPLOYMENT BENEFITS**

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

**NOTE 5. CLAIMS, COMMITMENTS, AND CONTINGENCIES**

1) Compensated Absences

Regular full-time employees who have completed 12 consecutive calendar months of service are eligible to receive vacation time as follows: 1 to 2 years, 1 week; 2 to 10 years, 2 weeks; over 10 years, 3 weeks. Employees may accumulate and carry forward vacation leave as follows: 1-10 years of continuous service, 20 days; and, over 10 years of continuous service, 30 days. Upon termination of employment, an employee with more than one year of service will receive equivalent cash reimbursement for all unused accrued vacation leave. Regular full-time employees earn one full day of sick leave for each complete calendar month of employment. Sick leave may accrue to a maximum of 30 days. Upon termination of employment, no payment will be made for unused days.

**CHARITON COUNTY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 5. CLAIMS, COMMITMENTS, AND CONTINGENCIES (CONTINUED)**

2) Federal and State Assisted Programs

The county has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

**NOTE 6. RISK MANAGEMENT**

The county is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters, and have established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been to significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The county is a member of the Missouri Association of Counties Self-Insurance Workers' Compensation and Insurance Fund. The county purchases workers' compensation insurance through this fund, a non-profit corporation established to provide insurance coverage to Missouri Counties. The fund is self-insured up to \$2,000,000 per occurrence and reinsured up to the statutory limit through excess insurance.

## **SUPPLEMENTARY INFORMATION**

**CHARITON COUNTY, MISSOURI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2011	2010
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
10.923	Direct Program - NRCS-EWP	DSR 041-09-058	\$ -	\$ 7,023
	U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Social Services-			
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program	ER16410009A	7,667	-
	U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
15.659	Refuge Revenue Sharing Act	N/A	24,698	33,244
	U. S. DEPARTMENT OF JUSTICE			
	Passed through:			
	State Department of Public Safety -			
16.579	Edward Byrne Memorial Justice Assistance Grant Program			
	MOSMART	2010//CKWX0183	18,625	-
	MOSMART	2009-DI-BX-0017	-	44,128
	JAG	2009-JAGRA-064	70,090	-
	NCAP	2009-JAG0925	-	79,435
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO - 30	-	1,651
		BRO - 32	-	165
		BRO - 33	-	14,073
		BRO - 34	512,366	-
	Department of Public Safety			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants			
	Hazardous Materials Emergency Preparedness	HM-HMP-0009-09-01-00	3,295	702
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration			
39.011	Election Reform Payments	N/A	2,125	2,833
	ELECTION ASSISTANCE COMMISSION			
	Passed through the Office of Secretary of State			
90.401	Help America Vote Act Requirements Payments			
	2011 Internet Service Provider Grant	N/A	581	382
	2010 Internet Service Provider Grant	SOSEIA2 10Z	-	605
	Replacement and Repair Grant	N/A	1,091	-
	Repair Grant	N/A	832	-
	Printer/Scanner Grant	N/A	476	581
	Poll Worker Training Grant	N/A	-	1,950
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state:			
	Department of Public Safety-			
97.067	Homeland Security Grant Program			
	FEMA	1934-DR-MO	-	27,050
	Total Expenditures of Federal Awards		\$ 641,846	\$ 213,822

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CHARITON COUNTY, MISSOURI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. PURPOSE OF SCHEDULE AND REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Chariton County, Missouri.

**B. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for service rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts the non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Because Chariton County expended no noncash awards for the years ended December 31, 2011 and 2010, the schedule includes expenditures of cash awards only.

**C. BASIS OF ACCOUNTING**

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

**D. MATCHING REQUIREMENTS**

Certain Federal programs require that the county contribute non-federal funds (matching funds) to support the federally-funded programs. The county has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

**NOTE 2. SUBRECIPIENTS**

The county provided federal awards from the U.S. Department of Housing and Urban Development Homeless Prevention & Rapid Re-Housing ARRA, CFDA 14.257, to the Missouri Valley Community Action Agency in the amount of \$7,667 to assist in providing temporary housing.

## **COMPLIANCE SECTION**

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

July 3, 2012

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission  
and Officeholders  
of Chariton County, Missouri

We have audited the financial statements of Chariton County, Missouri, as of and for the years ended December 31, 2011 and 2010, which comprise Chariton County's basic financial statements and have issued our report thereon dated July 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

Management of Chariton County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Chariton County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chariton County's control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chariton County's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

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However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (11-01 and 11-02).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chariton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 11-03.

Chariton County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Chariton County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission and other boards, others within the entity, the Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC  
Certified Public Accountants

# CASEY-BEARD-BOEHMER PC



A Certified Public Accounting and Consulting Firm

One Broadway Building  
1 East Broadway  
Columbia, MO 65203-4205  
573 / 442 – 8427  
FAX / 875 – 7876  
www.caseycpas.com

July 3, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the County Commission  
and Officeholders  
of Chariton County, Missouri

Compliance

We have audited Chariton County, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the county's major federal program for the years ended December 31, 2011 and 2010. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Chariton County, Missouri, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

Management of Chariton County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our

MEMBER  
•  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 (CONTINUED)**

---

audit, we considered Chariton County, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chariton County, Missouri's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, County Commission and other boards, others within the entity, the Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Casey-Beard-Boehmer PC  
Certified Public Accountants

**CHARITON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGERIALS' PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?   X   yes        none reported

Noncompliance material to financial statements noted?        yes   X   no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?        yes   X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   X   no

**CHARITON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

This section includes the audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

**11-01 Budgetary Controls not in Compliance with State Law**

Condition: The County Commission approved budget amendments for several county funds during 2010 and 2011. The approved amended documents presented by the county indicated that for the Law Enforcement Sales Tax Fund and the Deputy Sheriff Supplemental Fund for 2010 noted the revised budgeted revenues and expenditures left a budgeted cash balance of (\$9,422), and (\$209), respectively, as shown in the financial statements presented. There was no amended cash reconciliation pages included with the revised amended budgets to show what the amended budgeted cash balance would be. Also, the Recorder Fund for 2011 had an ending deficit cash balance of \$2,700 due to overspending.

Per discussions with the County Clerk's office, the Recorder Fund expected money shortly after year-end that paid for the expenditures made they were under contract to do, the Sheriff's office was expecting payments for the Deputy Sheriff Supplemental salaries and the Deputy Sheriff Supplemental Fund had spent additional monies not originally budgeted requiring an amendment. The County Commission should provide an amended reconciliation page on each budget amendment to ensure that the budgeted cash balance does not show as a negative amount on the budget document.

Criteria: Section 50.622 RSMo, requires that the same procedures should be followed for amending the budget as were required for the adoption of the annual budget. Section 50.540 RSMo states the estimated ending fund balance cannot be a deficit balance.

Cause: County officials did not consider the beginning cash balance and, therefore, did not realize that the funds had a deficit budgeted cash balance when they were amended.

Effect: The County Commission and the County Clerk did not follow state law and budgetary guidelines on the preparation of budget documents.

**Recommendation:**

The County Commission and County Clerk ensure the amended budgets do not indicate a negative budgeted cash balance in accordance with state law or overspend the fund balance in any fund.

**Response:**

*Future budgets will be reviewed and amended if necessary to show positive cash balances. Reports showing cash balances will be sent to the State Auditor's Office.*

**11-02 E-911 Assets**

Condition: The Emergency 911 Director does not record the balances of the certificates of deposit on the balance sheet causing the assets to be understated by \$905,156 at August 31, 2010. The Director records all the disbursements and purchases of CD's on the income statement, thereby overstating total receipts and disbursements. The only item presented on the E-911 balance sheet at August 31, 2010 was the amount held in the checking account.

**CHARITON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

---

Criteria: Generally accepted accounting principles require all assets be recorded at cost on the balance sheet.

Cause: The Emergency 911 board did not provide oversight to assure their financial statements were accurately prepared.

Effect: Cash is understated and income and expenses are overstated.

Recommendation:

The Emergency 911 Director and Board of Directors should follow proper accounting principles on recording assets and review the financial statements on a regular basis.

*Response:*

*The Board of Directors will instruct the Director to provide the Board with accurately prepared financial statements on a regular basis.*

**11-03 Accounting for Transfers**

Condition: The financial statements of the county as represented in the annual budget document do not present the proper amount of budgeted and actual transfers between the various county funds and, therefore, total transfers in do not agree with total transfers out for the year ended December 31, 2011 and 2010. Budgeted and actual amounts for transfers in each year are not properly reconciled to total budgeted and actual amounts transferred out. Our review noted that payments made from the Unclaimed Fees Fund, partial payment accounts, and payments to the state were recorded as transfers to and from other funds. Several transfers were erroneously recorded within receipts or disbursements of the corresponding funds instead of as actual transfers. We also noted that the county approved a budget amendment in 2010 to transfer \$2,525 from the General Revenue Fund to the Recorder Fund; however, this transfer was never made.

Criteria: Strong internal controls over financial statements require that transfers are properly reported and are in balance.

Cause: The County Commission and County Clerk did not report actual or budgeted transfers properly.

Effect: The transfers between funds are not in balance on the budget documents filed with the state.

Recommendation:

The County Commission and County Clerk should ensure both budgeted and actual transfers to and from other funds are in agreement and that other types of transactions that are not operating transfers are not presented in the "Transfers" account category.

*Response:*

*We will ensure that total budgeted and actual transfers in agree with transfers out and that other expenditures are not included as transfers.*

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

For the two years ended December 31, 2011, there were no federal award findings to report.

**CHARITON COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

---

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on the action taken by Chariton County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

1. County did not prepare an accurate SEFA schedule as required by the Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 300 (A). On the 2009 and 2008 SEFA's, the County reported funds expended from both federal and state awards.

*Status – Resolved.*

2. County's personnel policies manual had not been updated for approximately 20 years.

*Status – Partially Implemented.* The Commission has made changes and updates to the personnel policy but has not yet completed a new policy manual.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Bollinger County, Missouri

The Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, is attached.

A handwritten signature of Thomas A. Schweich in black ink, written in a cursive style.

Thomas A. Schweich  
State Auditor

September 2012  
Report No. 2012-99



**Bollinger County, Missouri**

**Independent Auditor's Report and Financial Statements**

**Years Ended December 31, 2011 & 2010**

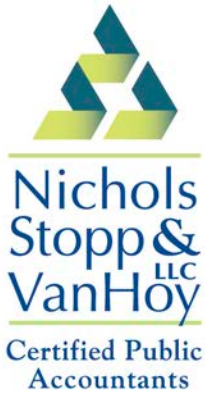


**Bollinger County, Missouri**  
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## Independent Auditor's Report



10425 Old Olive  
Street Road,  
Suite 101  
  
Creve Coeur,  
Missouri 63141

PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

To the County Commission and  
Officeholders of Bollinger County, Missouri

We have audited the accompanying financial statements of Bollinger County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Bollinger County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

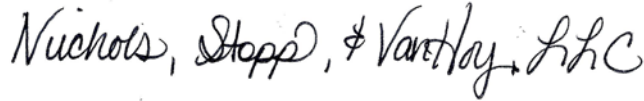
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bollinger County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Bollinger County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1. As described in Note 3, Bollinger County has changed its basis of accounting for the years ended December 31, 2011 and 2010.

In accordance with Government Auditing Standards, we also have issued our report dated July 6, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 6, 2012

**Bollinger County, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2011**

<u>Fund</u>	Cash and Equivalents January 1, 2011	Receipts 2011	Disbursements 2011	Cash and Equivalents December 31, 2011
General Revenue	\$ 96,184	\$ 1,496,921	\$ 1,455,357	\$ 137,748
Road and Bridge	3,628	1,740,148	1,486,389	257,387
Assessment	10,605	161,826	166,942	5,489
Bad Check	12,281	8,075	9,165	11,191
Law Enforcement Training	402	1,381	1,350	433
Prosecuting Attorney Training	50	172	115	107
Recorder User Fee	10,121	4,339	6,400	8,060
Sheriff Civil	905	11,045	11,786	164
Sheriff Restitution	4,466	5,875	3,636	6,705
Sheriff's Grant	-	-	-	-
Sheriff CCW	11,723	4,674	3,731	12,666
Election Services	666	1,606	800	1,472
Prosecuting Attorney Delinquent Tax	1,155	-	-	1,155
Recorder Technology	1,576	2,496	2,956	1,116
Domestic Relations	-	1,658	1,658	-
Collector's Tax Maintenance	23,270	15,053	18,741	19,582
Archive	5,277	676	33	5,920
Inmate Security	2,989	916	-	3,905
Senior Citizens Service Board	-	76,065	76,065	-
Deputy Sheriff	-	5,318	5,318	-
Senate Bill 40 Board	94,655	118,020	92,116	120,559
Total	<u>\$ 279,953</u>	<u>\$ 3,656,264</u>	<u>\$ 3,342,558</u>	<u>\$ 593,659</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Statement of Receipts, Disbursements, and Changes in Cash**  
**All Governmental Funds: Regulatory Basis**  
**Year Ended December 31, 2010**

<u>Fund</u>	Cash and Equivalents January 1, 2010 (Restated)	Receipts 2010	Disbursements 2010	Cash and Equivalents December 31, 2010
General Revenue	\$ 47,824	\$ 1,550,709	\$ 1,502,349	\$ 96,184
Road and Bridge	128,891	1,117,402	1,242,665	3,628
Assessment	11,185	157,616	158,196	10,605
Bad Check	12,381	9,290	9,390	12,281
Law Enforcement Training	726	1,136	1,460	402
Prosecuting Attorney Training	107	158	215	50
Recorder User Fee	14,343	4,578	8,800	10,121
Sheriff Civil	1,076	10,905	11,076	905
Sheriff Restitution	8,113	3,944	7,591	4,466
Sheriff's Grant	-	9,050	9,050	-
Sheriff CCW	7,507	5,978	1,762	11,723
Election Services	597	717	648	666
Prosecuting Attorney Delinquent Tax	1,155	-	-	1,155
Recorder Technology	1,061	2,524	2,009	1,576
Domestic Relations	204	1,628	1,832	-
Collector's Tax Maintenance	36,365	14,812	27,907	23,270
Archive	696	6,530	1,949	5,277
Inmate Security	2,179	810	-	2,989
Senior Citizens Service Board	-	76,187	76,187	-
Deputy Sheriff	-	4,970	4,970	-
Senate Bill 40 Board	73,336	119,449	98,130	94,655
Total	\$ 347,746	\$ 3,098,393	\$ 3,166,186	\$ 279,953

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	General Revenue Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 260,100	\$ 241,040	\$ 228,000	\$ 243,771
Sales Taxes	900,000	912,927	850,000	913,942
Intergovernmental	135,460	129,788	166,902	133,530
Charges for Services	249,500	173,472	181,000	165,926
Interest	-	44	200	76
Other	37,460	39,650	49,700	37,964
Transfers In	-	-	55,500	55,500
Total Receipts	<u>\$ 1,582,520</u>	<u>\$ 1,496,921</u>	<u>\$ 1,531,302</u>	<u>\$ 1,550,709</u>
<u>Disbursements</u>				
County Commission	\$ 79,640	\$ 77,929	\$ 76,340	\$ 76,340
County Clerk	64,850	64,076	58,810	54,480
Elections	21,340	25,453	57,230	70,632
Buildings and Grounds	99,110	100,856	106,700	99,187
Employee Fringe Benefits	88,676	89,409	80,994	75,817
Treasurer	42,150	41,138	38,495	38,336
Collector	89,200	84,844	83,170	77,831
Recorder of Deeds	62,670	62,592	58,040	57,700
Circuit Clerk	23,000	17,110	18,600	16,131
Court Administration	18,250	5,397	15,500	23,406
Public Administrator	28,568	28,568	28,524	27,994
Sheriff	439,820	411,497	360,076	344,558
Jail	161,500	141,876	162,500	146,976
Prosecuting Attorney	105,923	106,352	99,089	100,487
Juvenile Officer	35,000	34,377	30,000	35,152
Coroner	27,600	22,376	25,100	21,275
Other	105,170	106,507	99,119	101,858
Debt Service	-	-	51,000	104,189
Transfers Out	35,000	35,000	30,000	30,000
Emergency Fund	20,000	-	44,000	-
Total Disbursements	<u>\$ 1,547,467</u>	<u>\$ 1,455,357</u>	<u>\$ 1,523,287</u>	<u>\$ 1,502,349</u>
Receipts Over (Under)				
Disbursements	\$ 35,053	\$ 41,564	\$ 8,015	\$ 48,360
Cash, January 1	<u>96,184</u>	<u>96,184</u>	<u>47,824</u>	<u>47,824</u>
Cash, December 31	<u>\$ 131,237</u>	<u>\$ 137,748</u>	<u>\$ 55,839</u>	<u>\$ 96,184</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Road and Bridge Fund			
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 305,000	\$ 279,293	\$ 287,000	\$ 279,867
Sales Taxes	-	-	-	-
Intergovernmental	511,220	516,503	497,500	520,448
Charges for Services	-	-	-	-
Interest	20	16	100	22
Other	631,740	944,336	875,402	317,065
Transfers In	-	-	-	-
Total Receipts	<u>\$ 1,447,980</u>	<u>\$ 1,740,148</u>	<u>\$ 1,660,002</u>	<u>\$ 1,117,402</u>
<u>Disbursements</u>				
Salaries	\$ 400,400	\$ 360,746	\$ 429,000	\$ 391,349
Employee Fringe Benefits	112,420	117,193	92,675	100,035
Supplies	143,000	232,442	145,000	165,715
Insurance	22,000	20,879	20,000	16,595
Road & Bridge Materials	30,000	44,587	70,000	69,456
Equipment Repairs	60,000	86,714	60,000	92,334
Rentals	-	-	-	-
Equipment Purchases	60,000	52,700	200,000	189,972
R & B Construction	520,000	445,754	575,000	79,676
Other Expenditures	31,585	29,131	31,780	44,938
Debt Service	40,000	96,243	54,000	37,095
Transfers Out	-	-	55,500	55,500
Total Disbursements	<u>\$ 1,419,405</u>	<u>\$ 1,486,389</u>	<u>\$ 1,732,955</u>	<u>\$ 1,242,665</u>
Receipts Over (Under)				
Disbursements	\$ 28,575	\$ 253,759	\$ (72,953)	\$ (125,263)
Cash, January 1	<u>3,628</u>	<u>3,628</u>	<u>128,891</u>	<u>128,891</u>
Cash, December 31	<u><u>\$ 32,203</u></u>	<u><u>\$ 257,387</u></u>	<u><u>\$ 55,938</u></u>	<u><u>\$ 3,628</u></u>

See Notes to Financial Statements



**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Assessment Fund				Bad Check Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	131,788	123,344	134,792	126,260	-	-	-	-
Charges for Services	-	-	-	-	9,500	-	11,000	9,290
Interest	-	-	-	-	-	-	-	-
Other	2,000	3,482	2,000	1,356	-	8,075	-	-
Transfers In	35,000	35,000	30,000	30,000	-	-	-	-
Total Receipts	<u>\$ 168,788</u>	<u>\$ 161,826</u>	<u>\$ 166,792</u>	<u>\$ 157,616</u>	<u>\$ 9,500</u>	<u>\$ 8,075</u>	<u>\$ 11,000</u>	<u>\$ 9,290</u>
<u>Disbursements</u>								
Salaries	\$ 111,112	\$ 116,974	\$ 107,004	\$ 99,612	\$ 11,816	\$ 8,200	\$ 11,100	\$ 9,390
Employee Fringe Benefits	10,000	14,222	10,000	10,096	-	-	-	-
Materials and Supplies	9,200	6,901	15,650	7,592	-	965	-	-
Services and Other	43,050	28,845	31,200	40,896	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 173,362</u>	<u>\$ 166,942</u>	<u>\$ 163,854</u>	<u>\$ 158,196</u>	<u>\$ 11,816</u>	<u>\$ 9,165</u>	<u>\$ 11,100</u>	<u>\$ 9,390</u>
Receipts Over (Under)								
Disbursements	\$ (4,574)	\$ (5,116)	\$ 2,938	\$ (580)	\$ (2,316)	\$ (1,090)	\$ (100)	\$ (100)
Cash, January 1	<u>10,605</u>	<u>10,605</u>	<u>11,185</u>	<u>11,185</u>	<u>12,281</u>	<u>12,281</u>	<u>12,381</u>	<u>12,381</u>
Cash, December 31	<u>\$ 6,031</u>	<u>\$ 5,489</u>	<u>\$ 14,123</u>	<u>\$ 10,605</u>	<u>\$ 9,965</u>	<u>\$ 11,191</u>	<u>\$ 12,281</u>	<u>\$ 12,281</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Law Enforcement Training Fund				Prosecuting Attorney Training Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	700	1,381	1,300	636	160	172	-	158
Charges for Services	500	-	-	500	-	-	200	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,200</u>	<u>\$ 1,381</u>	<u>\$ 1,300</u>	<u>\$ 1,136</u>	<u>\$ 160</u>	<u>\$ 172</u>	<u>\$ 200</u>	<u>\$ 158</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,600	1,350	1,000	1,460	209	115	306	215
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,600</u>	<u>\$ 1,350</u>	<u>\$ 1,000</u>	<u>\$ 1,460</u>	<u>\$ 209</u>	<u>\$ 115</u>	<u>\$ 306</u>	<u>\$ 215</u>
Receipts Over (Under)								
Disbursements	\$ (400)	\$ 31	\$ 300	\$ (324)	\$ (49)	\$ 57	\$ (106)	\$ (57)
Cash, January 1	<u>402</u>	<u>402</u>	<u>726</u>	<u>726</u>	<u>50</u>	<u>50</u>	<u>107</u>	<u>107</u>
Cash, December 31	<u>\$ 2</u>	<u>\$ 433</u>	<u>\$ 1,026</u>	<u>\$ 402</u>	<u>\$ 1</u>	<u>\$ 107</u>	<u>\$ 1</u>	<u>\$ 50</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Recorder User Fee Fund				Sheriff Civil Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	4,600	4,339	4,200	4,578	-	-	-	-
Charges for Services	-	-	-	-	11,000	11,045	15,000	10,905
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,600</u>	<u>\$ 4,339</u>	<u>\$ 4,200</u>	<u>\$ 4,578</u>	<u>\$ 11,000</u>	<u>\$ 11,045</u>	<u>\$ 15,000</u>	<u>\$ 10,905</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	14,721	6,400	9,500	8,800	11,000	11,786	15,000	11,076
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 14,721</u>	<u>\$ 6,400</u>	<u>\$ 9,500</u>	<u>\$ 8,800</u>	<u>\$ 11,000</u>	<u>\$ 11,786</u>	<u>\$ 15,000</u>	<u>\$ 11,076</u>
Receipts Over (Under)								
Disbursements	\$ (10,121)	\$ (2,061)	\$ (5,300)	\$ (4,222)	\$ -	\$ (741)	\$ -	\$ (171)
Cash, January 1	<u>10,121</u>	<u>10,121</u>	<u>14,343</u>	<u>14,343</u>	<u>905</u>	<u>905</u>	<u>1,076</u>	<u>1,076</u>
Cash, December 31	<u>\$ -</u>	<u>\$ 8,060</u>	<u>\$ 9,043</u>	<u>\$ 10,121</u>	<u>\$ 905</u>	<u>\$ 164</u>	<u>\$ 1,076</u>	<u>\$ 905</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Sheriff Restitution Fund				Sheriff's Grant Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	4,500	5,875	5,000	3,944	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	9,050
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,500</u>	<u>\$ 5,875</u>	<u>\$ 5,000</u>	<u>\$ 3,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,050</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	8,900	3,636	10,000	7,591	-	-	-	9,050
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 8,900</u>	<u>\$ 3,636</u>	<u>\$ 10,000</u>	<u>\$ 7,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,050</u>
Receipts Over (Under)								
Disbursements	\$ (4,400)	\$ 2,239	\$ (5,000)	\$ (3,647)	\$ -	\$ -	\$ -	\$ -
Cash, January 1	<u>4,466</u>	<u>4,466</u>	<u>8,113</u>	<u>8,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u>\$ 66</u>	<u>\$ 6,705</u>	<u>\$ 3,113</u>	<u>\$ 4,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Sheriff CCW Fund				Election Services Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	700	1,606	1,700	717
Charges for Services	5,500	-	3,000	5,978	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	4,674	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 5,500</u>	<u>\$ 4,674</u>	<u>\$ 3,000</u>	<u>\$ 5,978</u>	<u>\$ 700</u>	<u>\$ 1,606</u>	<u>\$ 1,700</u>	<u>\$ 717</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	17,000	3,731	5,000	1,762	1,365	800	2,296	648
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 17,000</u>	<u>\$ 3,731</u>	<u>\$ 5,000</u>	<u>\$ 1,762</u>	<u>\$ 1,365</u>	<u>\$ 800</u>	<u>\$ 2,296</u>	<u>\$ 648</u>
Receipts Over (Under)								
Disbursements	\$ (11,500)	\$ 943	\$ (2,000)	\$ 4,216	\$ (665)	\$ 806	\$ (596)	\$ 69
Cash, January 1	<u>11,723</u>	<u>11,723</u>	<u>7,507</u>	<u>7,507</u>	<u>666</u>	<u>666</u>	<u>597</u>	<u>597</u>
Cash, December 31	<u>\$ 223</u>	<u>\$ 12,666</u>	<u>\$ 5,507</u>	<u>\$ 11,723</u>	<u>\$ 1</u>	<u>\$ 1,472</u>	<u>\$ 1</u>	<u>\$ 666</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Prosecuting Attorney Delinquent Tax Fund				Recorder Technology Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	100	-	500	-	2,500	2,496	2,300	2,524
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 2,496</u>	<u>\$ 2,300</u>	<u>\$ 2,524</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	1,255	-	-	-	4,075	2,956	3,361	2,009
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,075</u>	<u>\$ 2,956</u>	<u>\$ 3,361</u>	<u>\$ 2,009</u>
Receipts Over (Under)								
Disbursements	\$ (1,155)	\$ -	\$ 500	\$ -	\$ (1,575)	\$ (460)	\$ (1,061)	\$ 515
Cash, January 1	<u>1,155</u>	<u>1,155</u>	<u>1,155</u>	<u>1,155</u>	<u>1,576</u>	<u>1,576</u>	<u>1,061</u>	<u>1,061</u>
Cash, December 31	<u>\$ -</u>	<u>\$ 1,155</u>	<u>\$ 1,655</u>	<u>\$ 1,155</u>	<u>\$ 1</u>	<u>\$ 1,116</u>	<u>\$ -</u>	<u>\$ 1,576</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Domestic Relations Fund				Collector's Tax Maintenance Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,700	1,658	2,000	1,628	14,000	15,053	15,000	14,812
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,700</u>	<u>\$ 1,658</u>	<u>\$ 2,000</u>	<u>\$ 1,628</u>	<u>\$ 14,000</u>	<u>\$ 15,053</u>	<u>\$ 15,000</u>	<u>\$ 14,812</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	5,680	-
Services and Other	1,700	1,658	2,204	1,832	37,270	18,741	45,685	27,907
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,700</u>	<u>\$ 1,658</u>	<u>\$ 2,204</u>	<u>\$ 1,832</u>	<u>\$ 37,270</u>	<u>\$ 18,741</u>	<u>\$ 51,365</u>	<u>\$ 27,907</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ -	\$ (204)	\$ (204)	\$ (23,270)	\$ (3,688)	\$ (36,365)	\$ (13,095)
Cash, January 1	<u>-</u>	<u>-</u>	<u>204</u>	<u>204</u>	<u>23,270</u>	<u>23,270</u>	<u>36,365</u>	<u>36,365</u>
Cash, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,582</u>	<u>\$ -</u>	<u>\$ 23,270</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Archive Fund				Inmate Security Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	5,200	-	800	916	1,000	810
Charges for Services	1,500	676	-	6,530	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,500</u>	<u>\$ 676</u>	<u>\$ 5,200</u>	<u>\$ 6,530</u>	<u>\$ 800</u>	<u>\$ 916</u>	<u>\$ 1,000</u>	<u>\$ 810</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	5,000	33	2,500	1,949	-	-	-	-
Services and Other	-	-	-	-	3,789	-	3,179	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 33</u>	<u>\$ 2,500</u>	<u>\$ 1,949</u>	<u>\$ 3,789</u>	<u>\$ -</u>	<u>\$ 3,179</u>	<u>\$ -</u>
Receipts Over (Under)								
Disbursements	\$ (3,500)	\$ 643	\$ 2,700	\$ 4,581	\$ (2,989)	\$ 916	\$ (2,179)	\$ 810
Cash, January 1	<u>5,277</u>	<u>5,277</u>	<u>696</u>	<u>696</u>	<u>2,989</u>	<u>2,989</u>	<u>2,179</u>	<u>2,179</u>
Cash, December 31	<u><u>\$ 1,777</u></u>	<u><u>\$ 5,920</u></u>	<u><u>\$ 3,396</u></u>	<u><u>\$ 5,277</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,905</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,989</u></u>

See Notes to Financial Statements



**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

	Senior Citizens Service Board				Deputy Sheriff Fund			
	2011		2010		2011		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<u>Receipts</u>								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	75,000	76,065	72,000	76,187	-	-	-	-
Intergovernmental	-	-	-	-	5,000	-	5,000	4,970
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	5,318	-	-
Transfers In	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 75,000</u>	<u>\$ 76,065</u>	<u>\$ 72,000</u>	<u>\$ 76,187</u>	<u>\$ 5,000</u>	<u>\$ 5,318</u>	<u>\$ 5,000</u>	<u>\$ 4,970</u>
<u>Disbursements</u>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,318	\$ 5,000	\$ 4,970
Employee Fringe Benefits	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-
Services and Other	75,000	76,065	72,000	76,187	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 75,000</u>	<u>\$ 76,065</u>	<u>\$ 72,000</u>	<u>\$ 76,187</u>	<u>\$ 5,000</u>	<u>\$ 5,318</u>	<u>\$ 5,000</u>	<u>\$ 4,970</u>
Receipts Over (Under)								
Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Comparative Statement of Receipts, Disbursements, and Changes in Cash**  
**Budget and Actual, All Governmental Funds: Regulatory Basis**  
**Years Ended December 31, 2011 & 2010**

Senate Bill 40 Board				
	2011		2010	
	Budget	Actual	Budget	Actual
<u>Receipts</u>				
Property Taxes	\$ 110,000	\$ 112,322	\$ 105,000	\$ 113,302
Sales Taxes	-	-	-	-
Intergovernmental	5,590	5,301	7,112	5,590
Charges for Services	-	-	-	-
Interest	350	397	525	557
Other	800	-	1,440	-
Transfers In	-	-	-	-
Total Receipts	<u>\$ 116,740</u>	<u>\$ 118,020</u>	<u>\$ 114,077</u>	<u>\$ 119,449</u>
<u>Disbursements</u>				
Salaries	\$ -	\$ -	\$ -	\$ -
Employee Fringe Benefits	-	-	-	-
Materials and Supplies	-	-	-	-
Services and Other	116,740	92,116	114,077	98,130
Capital Outlay	-	-	-	-
Construction	-	-	-	-
Transfers Out	-	-	-	-
Total Disbursements	<u>\$ 116,740</u>	<u>\$ 92,116</u>	<u>\$ 114,077</u>	<u>\$ 98,130</u>
Receipts Over (Under)				
Disbursements	\$ -	\$ 25,904	\$ -	\$ 21,319
Cash, January 1	<u>94,655</u>	<u>94,655</u>	<u>73,336</u>	<u>73,336</u>
Cash, December 31	<u>\$ 94,655</u>	<u>\$ 120,559</u>	<u>\$ 73,336</u>	<u>\$ 94,655</u>

See Notes to Financial Statements

**Bollinger County, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

The County of Bollinger, Missouri (County) is governed by a three-member board of commissioners established in 1851. In addition to the three board members, there are ten elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, Prosecuting Attorney, Assessor, Recorder of Deeds, Coroner, and Public Administrator.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

**Reporting Entity**

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of Bollinger County, Missouri, Bollinger County Senior Citizens Service Board, and the Bollinger County Senate Bill 40 Board.

Bollinger County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Bollinger County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that are considered to comprise Bollinger County's legal entity. The Bollinger County Senior Citizens Service Board and Senate Bill 40 Board are controlled by separate boards and also included under the control of Bollinger County.

Certain elected County officials, such as the County Collector, Treasurer, and Sheriff, collect and hold monies in a trustee capacity as an agent of individual, taxing units, or other government. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements and were not audited.

**Basis of Presentation**

The accompanying financial statements present the receipts, disbursements, and changes in cash of all funds of Bollinger County, Missouri, and the comparisons of such information with the corresponding budgeted information for all funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operation fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

**Bollinger County, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Basis of Accounting

The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If Bollinger County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budget and Budgetary Accounting

In accordance with Chapter 50 RSMo, Bollinger County adopts a budget for each governmental fund.

On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. In 2010, the Law Enforcement Training Fund, the Sheriff's Grant Fund, and the Senior Citizens Service Board all had expenses exceeding their budget. In 2011, the Road and Bridge Fund, the Sheriff's Civil Fund, the Senior Citizens Service Board and the Deputy Sheriff Fund all had expenses exceeding their budget.

A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.

**Bollinger County, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

Budget and Budgetary Accounting (concluded)

Prior to February 1, the budget is legally enacted by a vote of the County.

Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

Budgets are prepared and adopted on the cash basis of accounting.

Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within Bollinger County's boundaries for the calendar year 2011 and 2010, for the purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 77,652,630	\$ 73,674,980
Personal Property	26,040,283	25,187,180
Railroad and Utilities	10,222,629	11,572,795
	<u>\$ 113,915,542</u>	<u>\$ 110,434,955</u>

The tax levy respectively per \$100 assessed valuation of tangible taxable property for the calendar year 2011 and 2010, for the purpose of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	0.2200	0.2100
Road and Bridge Fund	0.2504	0.2504
Senate Bill 40 Board	0.1000	0.1000

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

**Bollinger County, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies (concluded)**

Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer's funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investments shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in Bollinger County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

Interfund Transactions

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

**Note 2 - Deposits and Investments**

Bollinger County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of Bollinger County's deposits was \$593,659 and \$279,953 and the bank balance was \$1,035,383 and \$365,066 respectively. As of December 31, 2011, 100% of Bollinger County's deposits were covered by the Federal Deposit Insurance Company (FDIC) or were collateralized.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Deposits	593,659
Investments	-
Restricted Cash	-
Total Deposits & Investments as of December 31, 2011	<u><u>\$ 593,659</u></u>

**Bollinger County, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 2 - Deposits and Investments (concluded)**

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Deposits	279,953
Investments	-
Restricted Cash	-
Total Deposits & Investments as of December 31, 2010	<u><u>\$ 279,953</u></u>

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Bollinger County's investment policy does not include custodial credit risk requirements. Bollinger County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011, and 2010.

Custodial Credit Risk - Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party that sold the security to Bollinger County or its agent but not in the government's name. Bollinger County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of Bollinger County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Bollinger County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by Bollinger County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U. S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). Bollinger County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Bollinger County's deposits were not exposed to concentration of investment credit risk for the years ended in December 31, 2011 and 2010.

**Note 3 - Change in Accounting Basis**

Bollinger County, Missouri, has changed its basis of accounting from presenting its financial statements in accordance with GASB 34 on the cash basis of accounting to the regulatory basis of accounting as prescribed or permitted by Missouri State Law. The accounting change had no effect on the beginning cash balances of the various county funds.

**Bollinger County, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 4 - Interfund Transfers**

Transfers between funds for the years ended December 31, 2011 and 2010 are as follows:

Fund	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Revenue	\$ -	\$ 35,000	\$ 55,500	\$ 30,000
Road & Bridge	-	-	-	55,500
Assessment	35,000	-	30,000	-
Total	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 85,500</u>	<u>\$ 85,500</u>

**Note 5 - County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees. The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government.

It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Section 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of eleven persons.

Pension Benefits:

Beginning January 1, 1997, employees attaining the age of sixty-two may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar amount, targeted replacement ratio formula, and the prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active eligible member upon his or her death. Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed. Any member with less than eight years creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions. The County Employee's Retirement Fund issues audited financial statements.

The County Employee's Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO, 65101, or by calling 1-877-632-2373.

Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF, employee contributions of \$53,054 and \$52,520, respectively, for the years then ended.



**Bollinger County, Missouri**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2011 & 2010**

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**Note 6 - Post-Employment Benefits**

Bollinger County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by Bollinger County.

**Note 7 - Claims, Commitments and Contingencies**

Litigation

Bollinger County is not involved in any pending litigations as of December 31, 2011.

Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuous service. Upon termination from county employment, an employee is reimbursed for unused vacation and overtime, if applicable. Unused sick time is not reimbursed. These have not been subjected to auditing procedures.

**Note 8 - Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make specific assessments. Members are jointly and severally liable for all claims against the risk pool.

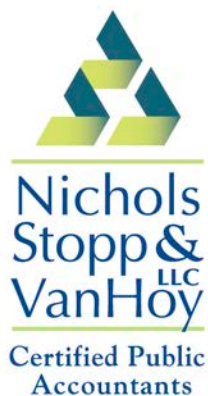
The County is also a member of the Missouri Association of Counties Self-Injured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**Note 9 - Prior Period Adjustments**

January 1, 2009 cash has been restated to remove the Division V Law Library Fund and the Court Time Payment Fund, which are circuit court funds not included in the scope of our audit.

**Note 10 - Subsequent Events**

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through July 6, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Bollinger County, Missouri

We have audited the accompanying financial statements of Bollinger County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Bollinger County, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bollinger County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bollinger County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bollinger County, Missouri's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 11/10-1 through 11/10-3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bollinger County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

10425 Old Olive  
Street Road,  
Suite 101

Creve Coeur,  
Missouri 63141

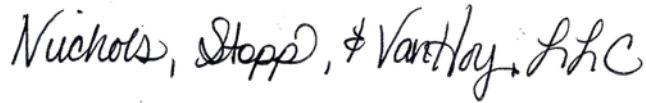
PHONE:  
314-569-3800  
FAX:  
314-569-0020

[www.nsvcpa.com](http://www.nsvcpa.com)

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs 11/10-4.

Bollinger County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Bollinger County, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 6, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Bollinger County, Missouri

Compliance

We have audited Bollinger County, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on Bollinger County, Missouri's major federal program for the years ended December 31, 2011 and 2010. Bollinger County, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Bollinger County, Missouri's management. Our responsibility is to express an opinion on Bollinger County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bollinger County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bollinger County, Missouri's compliance with those requirements.

In our opinion, Bollinger County, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

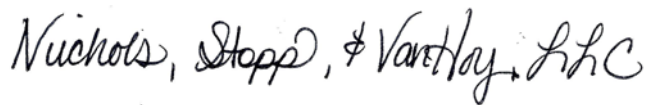
Management of Bollinger County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bollinger County, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bollinger County, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11/10-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Bollinger County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Bollinger County, Missouri's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, County Commission, County Officeholders, others within the entity, Missouri State Auditor's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri  
July 6, 2012

**Bollinger County, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**Years Ended December 31, 2011 & 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures Year Ended December 31,	
			2011	2010
<b>U.S. Department of Agriculture</b>				
Passed through state:				
Office of Administration -				
Schools and Roads - Grants to States	10.665	43-1757115	\$ 18,445	\$ -
Community Facilities Loans and Grants	10.766	360388931	<u>18,565</u>	<u>-</u>
Total U.S. Department of Agriculture			37,010	-
<b>U.S. Department of Justice</b>				
Passed through state:				
Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant	16.738		-	8,091
<b>U.S. Department of Transportation</b>				
Passed through state:				
Highway and Transportation Commission -				
Highway Planning and Construction	20.205	BRO-B009(6)	421,757	46,107
Department of Public Safety -				
Alcohol Impaired Driving Incentive Grant	20.601	BPC-10-30-Z	2,239	-
Alcohol Impaired Driving Incentive Grant	20.601	BPC-10-25-Z	-	6,834
Interagency Hazardous Materials Public				
Sector Training and Planning Grants	20.703	N/A	2,314	2,000
University of Central Missouri -				
Alcohol Impaired Driving Incentive Grant	20.601	N/A	943	2,083
Total U.S. Department of Transportation			<u>427,253</u>	<u>57,024</u>
<b>Election Assistance Commission</b>				
Passed through state:				
Office of Secretary of State -				
Help America Vote Act Requirements Payments	90.401	NA	1,076	-
<b>U.S. Department of Homeland Security</b>				
Passed through state:				
Department of Public Safety -				
Disaster Grants - Public Assistance Grants	97.036	FEMA 1980-DR-MO	<u>358,406</u>	<u>31,935</u>
Total Expenditures of Federal Awards			<u>\$ 823,745</u>	<u>\$ 97,050</u>

**Bollinger County, Missouri**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Years Ended December 31, 2011 & 2010**

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**Note 1 - Summary of Significant Accounting Policies**

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Bollinger County, Missouri.

Basis of Presentation

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Note 2 - Subrecipients**

The County did not pass through any federal awards for the years ended December 31, 2011 and 2010.

**Bollinger County, Missouri**  
**Schedule of Findings and Questioned Cost**  
**Years Ended December 31, 2011 & 2010**

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**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unqualified Regulatory Basis

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified that are  
not considered to be material weaknesses?

  X   Yes    \_\_\_\_\_ None Reported

Any noncompliance material to financial  
statements noted?

\_\_\_\_\_ Yes      X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified  
not considered to be material weaknesses?

  X   Yes    \_\_\_\_\_ None Reported

Type of auditor's report issued on  
compliance for major programs:

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510 (a) of Circular A-133?

  X   Yes    \_\_\_\_\_ No

Identification of Major Programs:

CFDA  
Number  
20.205

Name of Federal Program or Cluster  
Highway Planning and Construction

Dollar threshold used to distinguish  
between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No



**Bollinger County, Missouri**  
**Schedule of Findings and Questioned Cost**  
**Years Ended December 31, 2011 & 2010**

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**Section 2 - Financial Statement Findings**

11/10-01 Condition: During the current year, it was necessary for the auditors of the County to assist with the preparation of the external financial statements and the notes to financial statements.

Effect: Without the assistance of the auditors preparing the external financial statements, management may be unable to review and take responsibility of the financial statements and notes.

Cause: Due to increasing financial reporting requirements management of the County is unable to prepare the external financial statements and notes without the assistance of the auditors.

Recommendation: We recommend the County either provide training to current management, hire additional staff who possess the accounting skills needed to prepare and review the external financial statements, or contract with an outside accountant to prepare and review the external financial statements.

Management's Response: Management will take this under advisement.

11/10-02 Condition: Documentation of the County's internal controls has not been prepared.

Effect: Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: Management has not prepared documentation of internal control.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County is in the process of developing internal control documentation.

11/10-03 Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Effect: Lack of an appropriate audit risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identifying risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze, and manage these risks.

Management's Response: The Commissioners will look into the development of a fraud risk assessment plan.

**Bollinger County, Missouri**  
**Schedule of Findings and Questioned Costs**  
**Years Ended December 31, 2011 & 2010**

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11/10-04 Condition: During our audit, we noted several funds with actual expenditures that exceeded the budgeted expenditures.

Effect: Missouri Statutes requires Counties to prepare an annual budget and expenditures are not to exceed the budget. Due to exceeding budget in certain funds the County is in violation of Missouri Revised Statutes.

Cause: Oversight

Recommendation: We recommend that the County periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: Budgets will be monitored more closely and amended as needed.

**Section 3 - Federal Award Findings and Questioned Cost**

11/10-05 Condition: The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

Criteria: OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

Cause: Management was unaware of the reporting requirements related to the Schedule of Expenditures of Federal Awards.

Effect: Federal expenditures reported on the SEFA were incorrect.

Recommendation: We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

Management's Response: Federal funds have been reported correctly in the past. This was an oversight that will be corrected and controls over reporting federal awards will be developed.

**Bollinger County, Missouri**  
**Follow-Up on Prior Audit Findings for an Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Bollinger County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009.

**Prior Year Financial Statement Findings**

None

**Prior Year Federal Award Findings and Questioned Cost**

None



**Thomas A. Schweich**  
Missouri State Auditor

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# Cripple Creek Transportation Development District



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September 2012  
Report No. 2012-98

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Cripple Creek Transportation Development District

Engineering Services	The Cripple Creek Transportation Development District (TDD) did not solicit proposals for engineering services. The TDD paid a total of \$488,000 for engineering services between 2009 and 2011.
Budgets	The TDD did not adopt budgets for 2011 or 2010, as required by state law.
Financial Statements	The TDD submitted its 2010 financial statement to the State Auditor's office 341 days after it was due. The TDD may be subject to a maximum fine of \$170,500 for the late filing, but the law does not establish the agency responsible for assessing and collecting these fines.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Cripple Creek Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Cripple Creek Transportation Development District

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Paul Duckett, Chairman  
and  
Board of Directors  
Cripple Creek Transportation Development District  
Poplar Bluff, Missouri

We have audited certain operations of the Cripple Creek Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 3 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Cripple Creek Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Joyce Thomson



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# Cripple Creek Transportation Development District

## Management Advisory Report

### State Auditor's Findings

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#### **1. Engineering Services**

The Cripple Creek Transportation Development District (TDD) did not solicit proposals for engineering services. In May 2009, the TDD entered into an agreement with an engineering firm to provide planning and engineering services. TDD personnel explained the firm was selected due to their qualifications, knowledge of the project, and up-front funding provided by the firm during the planning stages of the project. The TDD paid the engineering firm a total of \$488,000 between 2009 and 2011.

Sections 8.285 to 8.291, RSMo, provide requirements for the selection of engineering services. Soliciting proposals for services ensures necessary services are obtained from the best qualified provider after taking expertise and experience into consideration.

#### **Recommendation**

The Board of Directors comply with state law when procuring engineering services and document the evaluation and selection process.

#### **Auditee's Response**

*The TDD Board provided the following written response:*

*The TDD Board concurs with the finding. The Board will take corrective measures to ensure that these findings are addressed in the future actions of the Board.*

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#### **2. Budgets**

The TDD did not adopt budgets for 2011 or 2010. Without budgets, it is difficult for the Board to evaluate operations and project anticipated needs of the district for the upcoming year. TDD personnel indicated budgets were not prepared due to lack of financial activity. However, the TDD received and disbursed over \$3 million in 2010, and received over \$4,000 and disbursed over \$12,000 in 2011. The TDD adopted budgets for 2009 and 2012 as required.

Section 67.010, RSMo, requires the preparation of an annual budget that presents a complete financial plan for the ensuing budget year and outlines the various information to be included in the budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of TDD operations. A budget can also provide a means to effectively monitor actual disbursements by periodically comparing budgeted amounts to actual amounts.

#### **Recommendation**

The Board of Directors prepare annual budgets which include all information required by state law.



Cripple Creek Transportation Development District  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The TDD Board provided the following written response:*

*The TDD Board concurs with the finding. The Board will take corrective measures to ensure that these findings are addressed in the future actions of the Board.*

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## 3. Financial Statements

The TDD did not submit a 2010 financial statement to the State Auditor's Office (SAO) timely. The 2010 financial statement was submitted on April 5, 2012, 341 days after it was due. The TDD may be subject to a maximum fine of \$170,500 for the late filing. However, the law does not establish the agency responsible for assessment and collection authority of these fines (see report no. 2012-13, *Transportation Development Districts*, issued in February 2012). The 2009 and 2011 financial statements were filed in April of the following year, as required.

The Board's accounting firm prepares and submits financial statements to the SAO. Representatives of the accounting firm were unsure why the 2010 financial statement was not submitted timely.

Section 105.145, RSMo, requires TDDs to file annual financial statements with the SAO. Section 105.148.8, RSMo, states any district that fails to timely submit a copy of the annual financial statement with the SAO shall be subject to a fine not to exceed \$500 per day. 15 CSR-40.30.030 provides if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year end, while an audit report is to be filed within 6 months of the entity's fiscal year end.

## Recommendation

The Board of Directors file annual financial statements with the SAO timely.

## Auditee's Response

*The TDD Board provided the following written response:*

*The TDD Board concurs with the finding. The Board will take corrective measures to ensure that these findings are addressed in the future actions of the Board.*

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# Cripple Creek Transportation Development District

## Organization and Statistical Information

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The Cripple Creek Transportation Development District (TDD) is located in the City of Poplar Bluff. The Cripple Creek TDD was organized in November 2005 by petition of the City of Poplar Bluff and owners of the property within the proposed TDD. The TDD was formed for the purpose of acquiring property (right-of-way and/or easements) and constructing transportation projects, with an initial estimated cost of \$2 million. The project was expanded and costs are currently estimated at approximately \$5 million. The qualified voters of the TDD, in this case the property owners, approved the imposition of a 1-cent (1 percent) sales tax for 40 years. The qualified voters also established a special assessment of 60 cents per square foot for non-retail property, and a one-time development fee of 20 percent of the land sale value for developments accessing the road extension but not joining the TDD. The TDD Board subsequently passed a resolution setting the sales tax, special assessment, and development fee rates. The City of Poplar Bluff is the public entity with jurisdiction over these projects and will accept dedication of the completed project.

The City of Poplar Bluff obtained a loan in the amount of approximately \$5.2 million from the Missouri Transportation Finance Corporation to provide financing for the construction projects. The TDD, Board Chairman, and City entered into a joint venture agreement obligating the TDD to repay half of the loan from future TDD revenues. The Board Chairman is responsible for any loan payments if TDD revenues are insufficient to repay the obligation.

The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 3 years ended December 31, 2011.

### District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were:

Paul Duckett, Chairman/President  
Frank Carroll, Vice President  
Colby Robertson, Member  
Dave Ryman, Treasurer  
One board seat is vacant



Cripple Creek Transportation Development District  
Organization and Statistical Information

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Cripple Creek Transportation Development District did not receive any federal stimulus monies during the 3 years ended December 31, 2011.

Financial Activity

A summary of the district's financial activity for the 3 years ended December 31, 2011, follows:

		Year Ended December 31,		
		2011	2010	2009
Receipts:				
Interest	\$	121	358	1,669
Revenue bond/note proceeds		0	3,342,966	1,748,161
Other		4,042	3,580	8,000
Total Receipts		4,163	3,346,904	1,757,830
Disbursements:				
Professional fees		0	70	0
Debt service		0	315,920	0
Administrative		12,249	10,726	30,525
Transportation project costs		0	3,023,588	1,668,888
Other		0	21,324	0
Total Disbursements		12,249	3,371,628	1,699,413
Receipts Over (Under) Disbursements		(8,086)	(24,724)	58,417
Beginning Cash Balance		33,693	58,417	0
Ending Cash Balance	\$	25,607	33,693	58,417



Thomas A. Schweich  
Missouri State Auditor

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# INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

## Division of Finance



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September 2012  
Report No. 2012-97

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## **Audit of the Department of Insurance, Financial Institutions and Professional Registration, Division of Finance**

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### **Background**

The Division of Finance (DOF) of the Department of Insurance, Financial Institutions and Professional Registration incorporates, regulates and licenses Missouri financial institutions, including residential mortgage brokers, state-chartered banks and savings and loan associations, non-depository trust companies, Missouri Certified Capital Companies and consumer credit companies. The DOF is required by state law to periodically examine these institutions to assess their solvency and ensure they are abiding by state laws and regulations. The DOF helps protect the financial interests of Missouri's citizens by taking actions to merge, close or otherwise address institutions with severe financial difficulties.

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### **Access to Information**

This report is a continuation of the State Auditor's office audit of the DOF released in May 2011 (Report No. 2011-17). That report noted the audit scope was limited because the DOF did not provide full access to financial institution examination records or consumer complaints. The results of initial tests performed on the limited data disclosed various instances of noncompliance with state law and internal policies. Ultimately, the DOF and the State Auditor's office reached an agreement allowing the State Auditor's office access to additional examination information. This audit reports follow-up action taken by the DOF on findings contained in the initial report.

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### **Financial Institution Examinations**

DOF personnel are now ensuring savings and loan association examinations are performed timely, and have made improvements in documenting examination procedures and supervisory reviews, but in one instance auditors found the current version of the examination work program was not used. The DOF has also made improvements in the accuracy and completeness of its examination reports, but auditors found one financial institution's CAMELS rating was improperly recorded as a 2 instead of a 1. The DOF has not yet implemented the prior recommendation to update its written agreements with the federal agencies that also conduct financial institution examinations.

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### **Financial Institution Assessments**

The DOF overcharged banks more than \$1.5 million during the three years ended June 30, 2010. Although the DOF used \$589,335 related to fiscal year 2010 over-assessments to offset fiscal year 2011 amounts assessed banks, the DOF had transferred \$956,697 to the state's General Revenue Fund. In accordance with our prior audit recommendations, the DOF has altered its assessment methodology, but it has not worked with the General Assembly to transfer over-assessments from the state's General Revenue Fund to the Division of Finance Fund to reduce future bank assessments. The DOF did implement the prior recommendation to re-calculate the overhead rate for fiscal year 2012 association and non-depository trust assessments.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

Not Applicable.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Division of Finance

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
John M. Huff, Director  
Department of Insurance, Financial Institutions and Professional Registration  
and  
Richard J. Weaver, Commissioner  
Division of Finance  
Jefferson City, Missouri

We have audited certain operations related to the monitoring of financial institutions regulated by the Department of Insurance, Financial Institutions and Professional Registration, Division of Finance, in fulfillment of our duties under Chapter 29, RSMo. The objectives of our audit were to:

1. Evaluate the division's internal controls over examinations of financial institutions.
2. Evaluate the division's compliance with certain statutory requirements regarding examinations of financial institutions.
3. Evaluate the economy and efficiency of certain management practices and operations regarding examinations of financial institutions.
4. Follow up on the action taken on findings in the Management Advisory Report of our prior audit report issued for the years ended June 30, 2010, 2009, and 2008.

Citing confidentiality requirements and pursuant to the amended confidentiality agreement entered into between the division and the State Auditor, the division did not permit us full access to the examination history tracking report or examination reports and related documentation. In addition, the division did not permit us to retain documentation of the work performed to support significant judgments and conclusions. As a result, we could not audit certain information because of the limitations the agreement imposed on the scope of our audit, and were unable to document specific records examined.

Except as discussed in the second paragraph, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

Our audit identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with statutory requirements, and (3) no significant deficiencies in management practices and procedures. In addition, while the division implemented some of our prior audit recommendations, other recommendations have not yet been fully implemented.

No findings resulted from our audit of the Department of Insurance, Financial Institutions and Professional Registration, Division of Finance.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized 'S' at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Matthew Schulenberg, CFE

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# Division of Finance

## Introduction

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### Background

The Division of Finance (DOF) incorporates, regulates, and licenses various financial institutions of the state. As of April 30, 2012, the DOF regulated 2,888 licensed consumer credit companies, 363 licensed residential mortgage brokers, 2,933 mortgage loan originators, 274 state-chartered banks, 6 state-chartered savings and loan associations, 6 non-depository trust companies, and 2 Missouri Certified Capital Companies. The 2,888 licensed consumer credit companies consisted of 935 payday lenders, 845 consumer installment lenders, 460 small loan companies, 261 title lenders, 147 motor vehicle time sales businesses, 77 retail installment businesses, 65 premium finance companies, 66 sale of checks businesses, and 32 credit service organizations.

State statutes provide that each state-chartered bank and trust company be examined by staff of the DOF at least once each year to determine each institution's solvency, safety of operations, and adherence to applicable state laws and regulations, except those institutions receiving a satisfactory examination rating may be reviewed once in an 18 month period. These examinations are accomplished with alternating examination agreements with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Banks. The DOF may also take action to merge, close, or otherwise address institutions with severe financial difficulties. State-chartered savings and loan associations are examined by DOF staff in accordance with the state-chartered bank and trust company statutes. These examinations are accomplished with alternating examination agreements with the FDIC. Non-depository trust companies are examined by DOF staff in accordance with internal policies requiring a review once in an 18 month period. A composite CAMELS rating of 1 to 5 is assigned to each financial institution based on an evaluation and rating of six components: capital adequacy (C), asset quality (A), management (M), earnings (E), liquidity (L), and sensitivity to market risk (S). Composite ratings of 1 or 2 are considered satisfactory examination ratings, while composite ratings of 3, 4, or 5 are considered non-satisfactory examination ratings.

The DOF is organized into several main areas including Fiscal and Administration, Mortgage Licensing, Consumer Credit, and an Examination section. At April 30, 2012, the DOF had 111 full-time employees and 5 part-time employees, with a majority of these consisting of bank and trust examination section employees (92) and consumer credit section employees (14). The DOF maintains five examination field offices in Kansas City, St. Louis, Springfield, Jefferson City, and Sikeston. The Commissioner is appointed by the Governor with the advice and consent of the Senate. Richard J. Weaver was appointed Commissioner of Finance on April 17, 2009, and continues in that position.



## Division of Finance Introduction

### Previous SAO Audit

This report is the continuation of a prior State Auditor's Office audit of the DOF for the years ended June 30, 2010, 2009, and 2008, (see Report No. 2011-17, Department of Insurance, Financial Institutions and Professional Registration, Division of Finance, issued in May 2011). The May 2011 report included information regarding an audit scope limitation because the DOF did not provide full access to financial institution examination records or consumer complaints.

The SAO initiated a follow-up audit of the DOF the day the prior audit report was released, and issued a subpoena requesting access to the previously denied records. The DOF and the SAO entered into a confidentiality agreement (agreement) in June 2011 allowing access to certain previously denied records, and audit fieldwork began in July 2011.

In August 2011, the Missouri Banker's Association (MBA), a trade group for the banking industry, took legal action against the SAO and obtained a temporary restraining order in the 19th Judicial Circuit Court (Court). In September 2011, the Court granted the MBA a preliminary injunction which halted fieldwork, and settlement negotiations ensued. In March 2012, all parties involved approved the first amendment to the original agreement entered into between the DOF and our office resulting in the dismissal of the MBA's lawsuit in April 2012. Audit fieldwork resumed in May 2012.

### Scope and Methodology

Our methodology included reviewing pertinent state statutes, written policies and procedures regarding examinations of financial institutions, financial records, and other pertinent documents; interviewing various personnel of the division; testing the DOF examination history tracking report which lists financial institution examinations performed by the DOF and federal agencies; and reviewing financial institution examination reports and examination work programs.

Using the examination history tracking report, we reviewed and determined whether 278 examinations started by the DOF between April 15, 2010, and April 30, 2012, were conducted within timeframes required by state law and internal policies. We selected and reviewed 25 redacted DOF examination reports to determine whether the comments included in the reports adequately reflected the composite CAMELS ratings assigned the financial institutions. Also, for 5 of the 25 examinations selected, we obtained supporting examination work programs completed by DOF examiners and ensured the most recent work programs were used and contained documentation that required examination procedures were completed, and supervisory reviews were performed.

To evaluate the action taken on findings in the Management Advisory Report of our prior audit report issued for the years ended June 30, 2010,



## Division of Finance Introduction

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2009, and 2008, we obtained and reviewed financial records and other pertinent documents.

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# Division of Finance

## Follow-up on Prior Audit Findings

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This section reports follow-up on action taken by the Division of Finance (DOF) on findings in the Management Advisory Report (MAR) of our prior audit report issued for the years ended June 30, 2010, 2009, and 2008.

### 1. Access to Information

The results of initial tests performed on the limited information provided to us by the DOF disclosed instances of noncompliance with various state laws and internal policies and concerns with the accuracy of the information provided. Had we been able to fully test compliance with regulatory and procedural provisions applicable to DOF functions and verify the validity of the data provided by the DOF, other instances of noncompliance and concerns might have come to our attention that would have been included in the report.

#### Recommendation

The DOF reconsider providing the State Auditor the necessary access to division records and personnel to ensure the division is adequately protecting the financial interests of state citizens.

#### Status

Implemented. The DOF and the SAO ultimately reached an agreement allowing the SAO limited access to additional examination information.

### 2. Financial Institution Examinations

2.1 DOF personnel did not always ensure savings and loan association (association) examinations were performed in accordance with internal policies, resulting in untimely examinations.

2.2 DOF bank examiners did not always properly document on examination programs whether required examination procedures were performed, and examination programs sometimes lacked evidence of a supervisory review. In addition, the most current version of examination programs was not always used.

2.3 The report of the results of association examinations performed and the frequency of the examinations was not accurate or up-to-date.

2.4 The DOF did not have current written agreements with the federal agencies that also conducted financial institution examinations.

#### Recommendations

The DOF:

2.1 Review state law to determine whether annual examinations are required for associations, and monitor scheduled examination dates more closely to ensure compliance with applicable statutes and internal policies.

2.2 Ensure required examination procedures and supervisory reviews are performed and documented, and the most current version of the bank examination program is used.



Division of Finance  
Follow-Up on Prior Audit Findings

	2.3	Ensure examination tracking reports are accurate and up-to-date.
	2.4	Ensure current association and bank examination written agreements are entered into with the applicable federal agencies.
Status	2.1	Implemented.
	2.2	Partially implemented. Improvement in examination program documentation was noted. Our review of examination work programs for five financial institution examinations determined examiners had documented required examination procedures were performed and supervisory reviews were properly documented. However, in one instance, the most current version of the examination work program was not used.
	2.3	Partially implemented. Of the 25 examination tracking reports reviewed, we noted 1 error. A financial institution's composite CAMELS rating of 1 was incorrectly recorded on the examination tracking report as a rating of 2.
	2.4	Not implemented. According to DOF personnel, the DOF has held discussions regarding the need for updated agreements; however, no further action has been taken. In addition, the DOF no longer alternates association examinations with the Office of Thrift Supervision (OTS). The Federal Deposit Insurance Company (FDIC) has assumed OTS duties related to alternating association examinations. However, the FDIC agreement was not updated to reflect the additional duties.
3. Financial Institution Assessments	3.1	The DOF misinterpreted statutory requirements when calculating bank assessments and determining transfers to be made to the General Revenue Fund. When calculating annual bank assessments for the 3 years ended June 30, 2010, the DOF assessed banks an additional 15 percent of examination costs to pay for various administrative costs. However, this assessment exceeded actual costs, and resulted in the DOF over-assessing banks \$589,335, \$484,483, and \$472,214 during the years ended June 30, 2010, 2009, and 2008, respectively. The DOF transferred the amounts related to the over-assessment to the state General Revenue Fund for the 2 years ended June 30, 2009.
	3.2	Overhead rates used when calculating association and non-depository trust assessments had not been changed in several years and there was no documentation that rates had been reviewed annually.



Division of Finance  
Follow-Up on Prior Audit Findings

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Recommendations

The DOF:

- 3.1 Comply with statutory provisions related to bank assessments. In addition, the DOF should work with the General Assembly to transfer \$956,697 from the state's General Revenue Fund to the Division of Finance Fund, and reduce future bank assessments by this amount.
- 3.2 Re-calculate the overhead rate for association and trust examination assessments on an annual basis and retain documentation.

Status

- 3.1 Partially implemented. The DOF altered the assessment methodology starting with the fiscal year 2011 assessment and is now in compliance with statutory provisions related to bank assessments. However, the DOF did not work with the General Assembly to transfer monies from the state's General Revenue Fund to the Division of Finance Fund or reduce future bank assessments by the amount overcharged related to fiscal years 2009 and 2008.
- 3.2 Implemented. Calculations of fiscal year 2012 assessments were documented and reviewed.





Thomas A. Schweich  
Missouri State Auditor

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## PUBLIC SAFETY

# Missouri State Highway Patrol's Use of Highway Funds

Year Ended June 30, 2012

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September 2012  
Report No. 2012-96



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds

Background	The State Auditor is required to determine whether appropriations from the State Highways and Transportation Fund (State Highway Fund) to the Missouri State Highway Patrol (MSHP) are used for administering and enforcing state motor vehicle laws and traffic regulations, as required by Article IV, Section 30(b) of the Missouri Constitution and Section 226.200.3, RSMo.
Methodology	Audit staff reviewed pertinent documents, conducted interviews, and tested selected transactions. Audit staff assessed and tested internal controls and reviewed and tested MSHP calculations.
Conclusions	During the year ended June 30, 2012, the MSHP appears to be in compliance with legal provisions related to the use of Highway Funds.

Because of the limited objective of this review, no overall rating is provided.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	Not applicable to this report.
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Department of Public Safety  
Missouri State Highway Patrol's Use of Highway Funds  
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and Conclusions 3



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly  
and  
Jerry Lee, Director  
Department of Public Safety  
and  
Colonel Ronald K. Replogle, Superintendent  
Missouri State Highway Patrol  
Jefferson City, Missouri

We have audited the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds, as required by Section 226.200.3, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objective of our audit was to determine whether the agency is in compliance with legal provisions related to the use of Highway Funds.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The Background, Methodology and Conclusions present our comments concerning the overall compliance related to the Department of Public Safety, Missouri State Highway Patrol's Use of Highway Funds.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Denise Huddleston, MBA
Audit Staff:	Terese Summers, MSAS, CPA

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# Department of Public Safety

## Missouri State Highway Patrol's Use of Highway Funds

### Background, Methodology, and Conclusions

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#### **Background**

The State Auditor is required to determine whether appropriations from the State Highways and Transportation Fund (State Highway Fund) to the Missouri State Highway Patrol (MSHP) are used for administering and enforcing state motor vehicle laws and traffic regulations pursuant to the constitution.

#### **Limitations and requirements**

Article IV, Section 30(b), Missouri Constitution, limits the MSHP's use of highway funds to activities related to administering and enforcing state motor vehicle laws or traffic regulations. In addition, Section 226.200.3, RSMo, provides, in part:

" . . . Appropriations allocated from the state highways and transportation department fund to the highway patrol shall only be used by the highway patrol to administer and enforce state motor vehicle laws or traffic regulations. Beginning July 1, 2007, any activities or functions conducted by the highway patrol not related to enforcing or administering state motor vehicle laws or traffic regulations shall not be funded by the state highways and transportation department fund, but shall be funded from general revenue or any other applicable source. Any current funding from the highways and transportation department fund used for activities not related to enforcing state motor vehicle laws or traffic regulations shall expire on June 30, 2007. The state auditor shall annually audit and examine the appropriations made to the highway patrol to determine whether such appropriations are actually being used for administering and enforcing state motor vehicle laws and traffic regulations pursuant to the constitution. The state auditor shall submit its annual findings to the general assembly by January fifteenth of each year."

During the year ended June 30, 2012, the MSHP utilized appropriations from the State Highway Fund as follows:



Department of Public Safety  
Missouri State Highway Patrol's Use of Highway Funds  
Background, Methodology, and Conclusions

	Appropriation Authority	Expenditures	Lapsed Balances*
Technical services personal service	\$ 12,837,706	11,486,316	1,351,390
Administration personal service	5,621,583	5,403,032	218,551
Administration expense and equipment	430,812	378,122	52,690
Enforcement program personal service	61,041,631	58,683,762	2,357,869
Law Enforcement Academy personal service	1,231,932	1,116,807	115,125
Law Enforcement Academy expense and equipment	76,872	69,031	7,841
Vehicle and driver safety personal service	10,475,977	9,861,769	614,208
Vehicle and driver safety expense and equipment	978,482	883,349	95,133
Enforcement program expense and equipment	6,352,958	6,159,207	193,751
Technical services expense and equipment	12,355,215	12,235,839	119,376
Refund unused motor vehicle inspection stickers	41,000	40,799	201
Fringe benefits personal service	67,367,174	61,196,635	6,170,539
Fringe benefits expense and equipment	6,288,232	5,756,921	531,311
Vehicle replacement expense and equipment	6,209,793	5,604,487	605,306
Gasoline expenses	3,440,815	3,439,005	1,810
Crime labs personal service	3,616,622	3,313,309	303,313
Crime labs expense and equipment	895,386	868,524	26,862
Interoperable system highway	23,251,052	23,211,664	39,388
Interoperable ongoing highway	2,350,000	2,204,576	145,424
Total	\$ 224,863,242	211,913,154	12,950,088

\* The lapsed balances include withholdings made at the Governor's request totaling \$3,989,061.

## Methodology

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agency; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objective and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objective, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

To determine whether the MSHP complied with the limitations on the use of highway funds, we reviewed the MSHP calculations of amounts expended from the State Highway Fund for non-highway activities and the amounts



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Department of Public Safety  
Missouri State Highway Patrol's Use of Highway Funds  
Background, Methodology, and Conclusions

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expended by the MSHP for highway-related activities from other funding sources. We compared the amounts used in the MSHP calculations to expenditures recorded in the state accounting system (SAM II) and other supporting documentation. In addition, we tested certain expenditures to determine they were properly recorded.

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## Conclusions

We concluded the MSHP appears to be in compliance with legal provisions related to the use of Highway Funds. During fiscal year 2012, the MSHP spent approximately \$2,585,000 appropriated from the State Highway Fund that was not related to highway activities. This amount included non-highway personal service and fringe benefit expenditures made from the State Highway Fund for the Crime Laboratory Division, Training Division, and Administrative Services Bureau; and some gasoline and expense and equipment expenditures from the Administrative Services Bureau. However, these expenditures were more than offset by expense and equipment expenditures of approximately \$4,701,000 incurred by the Crime Laboratory Division, Training Division, and Technical Services Bureau that were related to highway activities but were not paid from the State Highway Fund. As a result, approximately \$2,116,000 more was spent on highway-related activities than was paid from highway funds during fiscal year 2012.



# Thomas A. Schweich

Missouri State Auditor

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## Office of Governor

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September 2012  
Report No. 2012-95



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<http://auditor.mo.gov>





# CITIZENS SUMMARY

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## Findings in the audit of the Office of the Governor

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### Operating Costs from Other Appropriations

From January 2009 to June 2011, approximately \$1.7 million of the Governor's office expenses were charged to and paid from appropriations of other state agencies. But for these expenses being paid by other agencies, both the Governor's office and mansion would have spent more than their appropriation authority in each of the 3 fiscal years audited. Fourteen agencies funded all or part of the salaries for several employees of the Governor's office for a total of approximately \$770,000, and the Office of Administration (OA) paid \$32,200 to compensate an "advisor on education" to the Governor. OA employees do not separately account for and report the time spent performing tasks for the Governor's office and mansion. In the first 30 months of the current administration's tenure, employees of the Governor's office flew 334 days on state planes, costing approximately \$565,000, 96 percent of which was paid by various state agencies. State agencies also paid approximately \$37,000 for other travel expenses for employees of the Governor's office and various other operating expenses of the Governor's office totaling approximately \$406,000. This situation has been noted in the reports of other state agencies by the current State Auditor and his predecessor (Reports 2011-59, 2011-18, 2011-16, 2010-167).

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### Travel Expenses

Most lodging expenses reviewed by audit staff, especially out-of-state lodging expenses, lacked documentation to support why they were higher than appeared necessary. Hotel charges exceeded recommended rates per state policy, meal charges exceeded per diem rates, and airline tickets were not purchased at least 21 days before the flight. One employee, domiciled in St. Louis, stayed at a hotel in Jefferson City approximately 150 nights at a cost of almost \$12,000 when more economical alternatives existed. The Governor's office does not evaluate whether commercial flights would be more economical than state planes for out-of-state trips. Flight costs for 19 out-of-state flights totaled approximately \$92,800, which included \$15,630 for wait time costs and \$8,570 for pilot expense. The Governor's office could have saved approximately \$15,500 if individuals had flown commercial flights on two trips to Washington, D.C.

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### State Resources

State law is unclear regarding the use of state resources by the Governor's office for political and personal purposes. The Governor uses some security and transportation resources for all official, political, and personal activities, and the state pays the personal food costs for the Governor and his family. The Missouri Constitution prohibits the use of state resources for personal or private gain, but Section 43.330, RSMo, allows for transportation, security, and protection for the Governor and his immediate family with no distinction between official state business and personal or political events.

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### Capital Assets

The Governor's office lacks adequate capital asset records and procedures. At June 30, 2011, the state accounting system capital asset records show 570 items totaling over \$300,000, but the office list only shows 26 items totaling \$130,000. The capital asset records for the mansion include items which are also on the OA inventory list, but do not include \$160,000 worth

of furniture purchased with General Revenue Fund monies, some which may be in storage. Other furniture/equipment in the mansion may have been purchased by and accounted for by the Missouri Mansion Preservation, Inc.

Mansion	Three entities were not charged for holding an event/function at the mansion, and mansion personnel did not maintain documentation to support the reason these entities were not charged. The mansion director's salary and certain other mansion operating expenses were paid from the office and OA appropriations, thereby understating the mansion's operating expenses.
Governor's Security Costs	As noted in our prior audit of the Governor's office, total costs for the Governor's security cannot be readily determined, because some costs are paid from the Governor's security division appropriation and some are paid by Missouri State Highway Patrol appropriations, but not separately tracked.
Office Policies and Procedures	The Governor's office has not developed a written, comprehensive employee manual, does not require performance appraisals for employees, and does not adequately annotate the Governor's official office calendar.
Governor Withholding	The State Auditor issued a letter report to the Governor (2011-043) after discovering the Governor lacked any documentation to support the fiscal year 2012 withholds he announced before the start of the fiscal year. The Governor's office ignored the State Auditor's request that he work with the General Assembly to resolve the matter, and the State Auditor filed suit. The circuit court held the Governor violated the Missouri Constitution by spending money in excess of specific appropriated amounts but concluded the Governor may control the rate of expenditures or withhold and reduce expenditures below their appropriation. The State Auditor intends to appeal certain aspects of the court's ruling.
Additional Comments	The Office of the Governor provided responses to the audit findings, but those responses are generally non-responsive. For the most part, the Governor's office does not commit to implementing the recommendations.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Office of the Governor did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our website: <http://auditor.mo.gov>

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# Office of Governor

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
Jefferson City, Missouri

We have audited certain operations of the Office of Governor in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2010 and 2009. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Determine the current status of issues related to Report No. 2011-43, *Governor Withholding Report*, issued in August 2011.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. We also determined and reported the current status of issues related to the *Governor Withholding Report*. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Governor.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Julie M. Moore, MBA
Audit Staff:	Jared Wooderson

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# Office of Governor

## Management Advisory Report

### State Auditor's Findings

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#### **1. Operating Costs From Other Appropriations**

The operations of the Office of Governor have been supplemented by using appropriations of other state agencies, thus circumventing the appropriation process as established by the General Assembly. As a result, the Governor's office has significantly under reported the true costs of operating the office. In total, the operating expenditures of the office have effectively been increased by approximately \$1.7 million (28 percent) more than amounts appropriated to the Office of Governor, for the 3 years ended June 30, 2011.

The Governor's office receives separate appropriations from the state General Revenue Fund for the operating costs of the Governor's office and mansion. Office and mansion operating appropriations totaled approximately \$2 million and \$142,600, respectively, each year for fiscal years 2011, 2010, and 2009. If the Governor's office had not allocated expenses to other state agencies, both the office and mansion would have exceeded its appropriation authority each year.

From January 2009 (beginning of current Governor's term) to June 2011, Governor's office expenses, totaling approximately \$1.7 million were charged to and paid from appropriations of other state agencies. Although similar practices have been noted in reports on prior administrations, the magnitude of shifting of personnel and operating costs has significantly increased with the current administration.

##### **1.1 Personnel costs**

State agencies paid personnel costs of approximately \$770,000 for employees of the Governor's office. The Governor's office required 14 agencies to fund either a portion of or the entire salary of some of its employees (9 in fiscal year (FY) 2011, 8 in FY 2010, and 4 in FY 2009).



Office of Governor  
Management Advisory Report - State Auditor's Finding

State agencies paid the following personnel costs for Governor employees:

Agency	Year Ended June 30,		
	2011	2010	2009 (1)
Department of Agriculture	\$ 7,329	621	3,863
Department of Corrections	40,415	49,229	6,829
Department of Economic Development	12,509	1,874	0
Department of Elementary and Secondary Education	14,032	8,124	0
Department of Health and Senior Services	17,181	10,458	6,829
Department of Higher Education	2,210	481	3,863
Department of Insurance, Financial Institution and Professional Registration	24,855	3,978	0
Department of Labor and Industrial Relations	7,969	5,059	3,863
Department of Mental Health	32,400	55,646	6,829
Department of Natural Resources	16,995	26,044	3,862
Department of Public Safety	34,234	32,121	6,829
Department of Revenue	142,115	6,783	3,862
Department of Social Services	92,428	69,611	6,829
Office of Administration	0	453	2,026
Total	\$ 444,672	270,482	55,484

1) Period of January 12, 2009, through June 30, 2009.

These personnel costs included the St. Louis regional office director, employees performing performance reviews of various state agencies, and three employees handling boards and commission activities. These employees performed functions and programs related to the Governor's office.

In addition, in fiscal year 2011, the Office of Administration (OA) paid \$32,200 to compensate an "advisor on education" to the Governor. In February 2011, the Governor's office and Missouri State University (University) signed a Memorandum of Understanding regarding utilizing the services of the University President as a gubernatorial advisor on issues of education. The Governor's office agreed to compensate the University for one-third of the President's salary for the remainder of the fiscal year. The OA paid the Governor's office obligation in May 2011 from an OA appropriation. This individual became a full-time employee of the Governor's office in fiscal year 2012.

OA employees also perform duties for the office and mansion and do not separately account for and report their time spent on work performed for the Office of Governor. These OA employees perform budget,



Office of Governor  
Management Advisory Report - State Auditor's Finding

purchasing/expenditure, payroll, and capital asset processing duties, but are considered employees of the OA and are paid from OA appropriations.

## 1.2 Flights on state planes

From January 2009 to June 2011, various state agencies paid approximately 96 percent of the costs of the Office of Governor flights on state planes. During this period, employees of the Governor's office flew 334 days on state planes, with flight costs totaling approximately \$565,000 of which approximately \$546,000 was paid by other state agencies.

State agencies paid the following flight costs for the Governor's office:

Agency	Year Ended June 30,		
	2011	2010	2009 (1)
Department of Agriculture	\$ 9,370	5,521	8,915
Department of Corrections	5,356	3,253	1,383
Department of Economic Development	63,640	85,448	23,676
Department of Health and Senior Services	8,144	4,776	6,006
Department of Insurance, Financial Institutions and Professional Registration	8,279	13,036	5,872
Department of Labor and Industrial Relations	5,268	6,851	4,335
Department of Mental Health	6,586	3,137	3,906
Department of Natural Resources	19,305	17,358	10,056
Department of Public Safety	71,155	56,507	20,591
Department of Revenue	4,592	6,459	11,573
Department of Social Services	4,592	6,778	10,874
Office of Administration	13,932	8,746	1,383
Total	\$ 220,219	217,870	108,570

1) Period of January 12, 2009, through June 30, 2009.

Included in the amounts above, due to a shortage in the Governor's appropriation near the end fiscal year 2009, the OA transferred flight costs, totaling approximately \$31,000, already paid by the Governor's office to various other state agency appropriations.

## 1.3 Travel expenses

State agencies paid travel expenses such as meals, mileage, and lodging for various employees of the Governor's office. Employees incurring travel expenses were supervised by and/or performed duties attendant to programs and functions of the Office of Governor. These travel costs totaled approximately \$37,000.





Office of Governor  
Management Advisory Report - State Auditor's Finding

State agencies paid the following travel expenses for Governor's office employees:

Agency	Year Ended June 30,		
	2011	2010	2009 (1)
Department of Economic Development	\$ 8,751	1,393	0
Department of Health and Senior Services	2,497	0	0
Department of Higher Education	1,425	0	0
Department of Revenue	10,236	0	0
Department of Social Services	8,885	3,591	0
Office of Administration	0	0	319
Total	\$ 31,794	4,984	319

1) Period of January 12, 2009, through June 30, 2009.

**1.4 Other operating expenses** Several state agencies paid various operating expenses, totaling approximately \$406,000, of the Office of Governor.

State agencies paid the following office expenses for the Governor's office:

Operating Expense	Year Ended June 30,		
	2011	2010	2009 (1)
Association Dues:	\$		
Department of Economic Development	14,200	0	14,200
Department of Health and Senior Services	45,000	0	0
Department of Social Services	130,200	110,100	0
Office of Administration	0	65,100	0
Printing expense:			
Office of Administration	0	0	6,191
Telecommunication expense:			
Office of Administration	0	0	21,560
Total	\$ 189,400	175,200	41,951

1) Period of January 12, 2009, through June 30, 2009.

The association dues were for the National Governors Association and Southern Governors Association. The printing expense included various office supplies such as envelopes and letterhead paper. The telecommunication expense included office phones used by Governor's office staff.

## Conclusion

The practice of paying Governor's office personnel and expense/equipment costs from the appropriations of other state agencies makes it difficult to



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Office of Governor  
Management Advisory Report - State Auditor's Finding

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establish accountability for the true and accurate costs of operating the Office of Governor, and not only distorts the operating costs of the Governor's office but the operating costs of the state agencies paying the Governor's expenses.

In fiscal year 2012, in an attempt to prevent the appropriation process from being circumvented, the General Assembly included the following language to each agency appropriation bill except the Department of Public Safety (for necessary travel in the event of a statewide emergency): ". . . no funds . . . shall be expended for the purpose of costs associated with travel or staffing for the offices of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, or Attorney General."

Although the Governor's office made changes, some Governor employees continue to perform duties attendant to programs and functions of the Office of Governor, but are designated as employees of other state agencies. For example, in July 2011, the three boards and commission employees in the Governor's office were designated as employees of the Department of Insurance, Financial Institutions and Professional Registration (DIFP) in the state accounting system. As a result, their personnel costs are paid through a DIFP appropriation. However, these employees are still physically located in and supervised by and perform the boards and commission duties for the Governor's office. From July to December 2011, flight costs on state planes for the Governor and office employees totaled approximately \$116,000, with the Department of Public Safety paying 35 percent of these costs. In addition, from July to September 2011, an employee of the Department of Economic Development flew with the Governor the majority of the flights and became an employee of the Governor's office in October 2011.

The Governor's office needs to take measures to reduce office and mansion expenses to ensure expenditures are within the approved appropriation authority, similar to efforts by other statewide elected officials such as the Office of Lieutenant Governor, Office of Attorney General, Office of Secretary of State, Office of Treasurer, and Office of State Auditor, and other state agencies.

## Recommendation

The Office of Governor discontinue the practice of using other agency appropriations to pay the operating costs of the Governor's office. The Office of Governor should request funding levels sufficient to pay all operating costs of the office and mansion from its own appropriations. If OA personnel perform duties related to the operation of the Office of Governor, their time should be recorded and paid from the Governor's appropriations.

## Auditee's Response

*The office accounts for its operational costs in a manner that properly reflects the nature of the work it performs.*



## 2. Travel Expenses

The Office of Governor does not document and justify the reasons why lodging and meal standards are exceeded, and airline tickets are not purchased at least 21 days in advance, as is required by the state travel policy. The lodging expense incurred for an extended stay of one employee did not appear to be reasonable and cost effective. The Governor's office does not compare the costs of commercial flights to the costs of using state planes for out-of-state travel.

In addition to travel expenses paid by other state agencies, the Governor's office paid travel expenses totaling approximately \$178,000 during the 3 years ended June 30, 2011.

### State travel policy

State travel policy, SP-6, provides that it is an employee's responsibility to demonstrate travel expenses incurred or approved are reasonable and necessary, and should include explanations and documentation to fully substantiate travel expenses. Travel expense documents should stand on their own without the need to seek further explanation.

The travel policy provides that where comparable accommodations are available, when selecting the higher priced lodging, prior approval from the agency should be obtained and the reasons for selecting that lodging should be documented. The federal CONUS lodging rates are to be used as a guideline and any lodging that exceeds those rates must be documented as necessary and approved by the agency. There are also established meal per diem standards for both in-state and out-of-state meals. In addition, each employee is to exercise prudent care in arranging airfare to obtain the lowest feasible fare, and should obtain the lowest reasonable, logical airfare at least 21 days in advance. When this is not possible, the reasons should be documented as part of the transaction, according to the policy.

### 2.1 Documentation

The majority of the lodging expenses reviewed, especially out-of-state lodging expenses, exceeded the CONUS rate, with no documentation supporting why the higher lodging was necessary and reasonable. We also noted numerous instances of meal expenses that exceeded the OA established per diem rates, and airline tickets that were not purchased at least 21 days prior to the flight, without any justification documented.

- In February 2011, the Governor's office paid for hotel stays in Washington D.C. Payments were made for one room for 4 nights, two rooms for 3 nights, and two rooms for 2 nights, with rates ranging from \$299 to \$472. The CONUS rate for Washington, D.C. was \$181 per night. In total, hotel charges exceeded the CONUS rate by \$2,066.



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- In August 2010, the hotel rate paid for a 2 night stay in Birmingham, Alabama was \$159 per night while the CONUS was \$92 per night.
- In July 2010, the hotel rate paid for a 3 night stay in Boston, Massachusetts was \$254 per night. while the CONUS rate was \$205 per night. Although the employee actually only stayed 2 nights, the office had to pay for an extra night because the room reservation was not canceled the first night.
- In July 2009, the hotel rate paid for a 1 night stay in St. Louis was \$189 while the CONUS rate was \$111.
- In January 2010, the Governor's office paid \$61 for dinner for one individual and \$46 for breakfast for another individual when the total per diem for the entire day was only \$40.
- In ten instances, airline tickets were not purchased at least 21 days prior to the date of the flight. The date purchased ranged from 1 to 14 days prior to the flight.
- Three one-way tickets were purchased instead of cheaper round trip tickets for an airline trip to Washington D.C. in February 2011. The Governor, security, and two staff flew on the state plane to Washington D.C. The two staff flew back commercially using a one-way ticket. These one-way tickets costs \$667 each. Another staff purchased a one-way ticket, costing \$650 and flew commercially to Washington D.C., but flew back on the state plane. A round-trip ticket for a fourth staff to fly commercially was only \$450. None of the one-way tickets were purchased 21 days prior to the date of the flight.

## 2.2 Lodging expense

The Governor's office did not adequately evaluate the lodging expense of an employee during an extended stay in Jefferson City.

During the 2 years ended June 30, 2011, an employee, domiciled in St. Louis, usually stayed in a specific hotel while in Jefferson City. This employee conducted performance reviews of state agencies and stayed in the hotel for approximately 150 nights at a cost of almost \$12,000. While the nightly rate paid generally approximated CONUS rates, more economical alternatives existed in the Jefferson City area. For example, during 1 week the employee stayed in a different hotel with a rate almost \$24 per night lower. In addition, State Auditor's staff currently receive a nightly rate approximately \$33 lower while staying in Jefferson City. The Governor's office did not ensure the lodging costs were procured in a cost



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effective manner by comparing rates of area hotels and/or negotiating with hotels for a better rate.

## 2.3 Out-of-state flights

The Governor's office does not evaluate whether commercial flights would be more economical than state planes for out-of-state trips. Some flights on state planes involved significant wait time, which resulted in additional costs; especially those flights with 2 to 4 day layovers for plane and pilots.

Flight costs for 19 out-of-state flights totaled approximately \$92,800, with wait time costs and pilot expense totaling \$15,630 and \$8,570, respectively. These flight costs were allocated to and paid by other state agencies. Multiple flights were made to the Washington D.C. area, and other destinations included Atlanta, Georgia; Dallas, Texas; Chicago, Illinois; and Detroit, Michigan. Examples of out-of-state flights included:

- Five flights with wait times of over 15 hours.
- Two round-trip flights related to out-of-country trips that only dropped-off or picked-up the Governor in the Washington D.C. area.
- Two flights with a 4-day layover, one flight with a 3-day layover, and one flight with a 2-day layover for the plane and pilots.

In addition, there were two flights to Washington D. C. when the state plane flew with the five or six passengers and another staff flew commercial. If all individuals had flown commercial the savings would have been approximately \$15,500.

Comparing the costs of commercial flights to the costs of state planes when traveling out-of-state helps ensure the most economical use of state resources. If the higher cost alternative is chosen, the circumstances and justification for the decision should be documented.

## Recommendations

The Office of Governor:

- 2.1 Comply with state travel policy. If it is necessary to exceed the lodging or meal standard, the Governor's office should ensure adequate documentation of the justification and reasoning for exceeding the lodging or meal limits is prepared and retained. When it is not possible to purchase an airline ticket 21 days in advance, the reasons should be documented and retained. When one-way travel is necessary, the cheaper of a one-way or round-trip ticket should be purchased.
- 2.2 Ensure extended lodging stays are reasonable and cost effective.



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- 2.3 Prepare and retain a comparison of the costs of commercial flights to the costs of using state planes for out-of-state travel. When the higher cost alternative is chosen, the circumstances and justifications should be documented and retained.

## Auditee's Response

*The office follows state travel policy. On occasion, circumstances require some deviations from the policy but efforts to ensure the most cost effective means are implemented. The office will ensure that such instances are appropriately handled. As to the extended lodging stay, that arrangement was based on particular circumstances surrounding a particular work assignment. The office does not foresee those circumstances arising again, but should they arise, will again ensure that the arrangement is reasonable and cost effective.*

## 3. State Resources

State laws are ambiguous and contradictory regarding the use of state resources by the Office of Governor for political and personal purposes. The Governor uses the security and some transportation resources provided by the Missouri State Highway Patrol (MSHP) for all official, political, and personal activities. The state also pays the personal food costs for the Governor and his family. The Governor does not reimburse the state for any political or personal use of state resources.

In 2005, state law created a formal governor's security division within the MSHP, and Section 43.330, RSMo, allows the governor's security division to ". . . provide transportation, security, and protection for the governor and the governor's immediate family." This section makes no distinction between official state business and events that are personal or political.

It is not clear that the intent of this legislation was to allow the use of state resources for the Governor's political or personal activities. Article III, Sections 38(a) and 39, Missouri Constitution, prohibit the use of state resources for personal or private gain. In addition, there is no specific provision that exists in state law that allows a state official to use any state resource for anything other than official use.<sup>1</sup>

As a general rule, state resources should be used for the benefit of the general public or for a public purpose, and not for political or personal gain. If the state intends to allow the Governor to use state resources for anything other than business purposes, legislation should be pursued to clearly allow

<sup>1</sup> Federal executives, such as the President, must abide by various federal rules, regulations, and ethics laws governing the use of federal resources for political use. For example, if a presidential trip includes multiple stops, some for political events and some for official purposes, travel costs are allocated between the campaign and the government. The President does not reimburse for any security costs, but he is required to pay for personal items such as food.



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this practice and other related conditions, such as reimbursement, of such use. At a minimum, until such provisions are established, with the possible exception of security, the use of any state resource by the Governor for purposes other than official state business should be reimbursed or discontinued.

This condition was reported in prior reports.

## Recommendation

The Office of Governor pursue legislation regarding its use of state resources, including those of the MSHP, for anything other than official use. With the possible exception of security, until state law is clarified, the Governor should reimburse the state for the use of state resources for purposes other than official state business (except for de minimis activities) or discontinue such use.

## Auditee's Response

*The office follows state laws regarding use of state resources consistent with previous governors. The Governor is on duty at all times.*

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## 4. Capital Assets

The Office of Governor capital asset records and procedures are inadequate. As a result, the Governor's office has little assurance that assets are accounted for properly and safeguarded from theft or misuse, and could not prepare a Statement of Changes in General Capital Assets to be presented in the Organization and Statistical Information section of this report.

The office did not maintain complete and accurate records for capital assets or reconcile the office records to state accounting system (SAM II) capital asset records. Also, SAM II records of mansion capital assets were not accurate or complete. In addition, the mansion did not perform a physical inventory of capital assets. Although the office reconciled the annual physical inventory to the capital assets records, capital assets observed, but not on the records, were not added to the records.

## Office

At June 30, 2011, there was a difference of approximately \$170,000 between the Governor's office list of capital asset and the capital assets recorded on SAM II. The SAM II records show approximately 570 items totaling over \$300,000; however, the office list only includes 26 items totaling approximately \$130,000.

According to OA personnel responsible for maintaining the SAM II records for the Governor's office, a significant portion of the difference is due to computer equipment recorded on the SAM II inventory records which should be moved to the OA inventory, and assets with costs under \$1,000 recorded on SAM II but not on the Governor's asset listing. We also noted the SAM II listing included assets which had been sent to the State Agency for Surplus Property by a prior Governor's administration.



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## Mansion

At June 30, 2011, the SAM II capital asset records for the mansion included approximately 20 items such as a refrigerator, freezer, stove, and copier, totaling approximately \$37,000. These assets were purchased for the mansion by the OA, and are on the OA inventory records. In addition, mansion personnel indicated the other furniture/equipment in the mansion was purchased by and accounted for by the Missouri Mansion Preservation, Inc. (MMPI).

However, from prior audits, we were aware that various mansion furniture had been purchased with General Revenue Fund monies, and that some furniture was in storage. Mansion personnel indicated that they were not aware that some mansion furniture was in storage. Also, in January 2009, we had provided the current administration with a capital asset listing for the mansion which include approximately 160 items, totaling approximately \$160,000. This listing included items such as beds, dressers, mirrors, tables, clocks, and pianos. We located many of these items in the mansion or storage.

## Conclusion

The Code of State Regulations, 15 CSR 40-2.031, requires each department to account for all acquisitions and dispositions, and to maintain adequate capital asset records that contain identification number; description of the item including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location in sufficient detail to readily locate the item; and method and date of disposition. Also, an annual physical inventory of capital assets should be performed and reconciled to capital asset records and the prior annual physical inventory.

The failure to maintain a complete and accurate inventory listing reduces the control and accountability over capital assets and increases the potential that loss, theft, or misuse will go undetected. In addition, annual inventories are necessary to establish proper accountability over capital assets, and documentation of the physical inventory should be retained to show compliance with state regulations.

This condition was reported in prior reports.

## Recommendations

The Office of Governor:

- 4.1 Ensure complete and accurate capital asset records are maintained for the office and mansion. The office and mansion capital asset records should be reconciled to SAM II records.
- 4.2 Require an annual physical inventory be conducted and reconciled to capital asset records. Documentation of the physical inventories should be retained.





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## Auditee's Response

*Staff performs an annual inventory check, as verified by audit staff who located every item they sought.*

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## 5. Mansion

The Office of Governor needs to document the reasons for not charging some entities for events at the mansion. Some mansion operating expenses were not paid from the mansion appropriation.

Mansion expenditures totaled approximately \$142,000 each year for the 3 years ended June 30, 2011.

In 2009, the Governor's office started handling the planning, scheduling, and managing of all mansion events/functions. During previous administrations, most events/functions were planned and managed by the MMPI. Event guidelines for the mansion were established which include usage, labor, and miscellaneous fees and menu pricing. This information is available on the mansion's website.

### 5.1 Events/Functions

Mansion personnel do not document the reasons why some entities are not charged fees for events/functions at the mansion.

We noted three entities (Lincoln University, MMPI, and Tuesday Club) were not charged fees for holding an event/function at the mansion. Mansion personnel did not maintain documentation to support the reason these entities were not charged. In addition to food and beverage fees, mansion guidelines provide that a minimum usage fee ranging from \$250 for non-profit entities to \$800 for businesses be charged for use of the mansion.

To ensure all entities requesting and holding events/functions at the mansion are treated equitably and fairly, the reasons and explanations for not charging fees should be fully documented and retained.

### 5.2 Operating expenses

During fiscal year 2011 and a portion of fiscal year 2010, the Governor's office paid the mansion director's salary (\$30,000 per year) from the office operating appropriation rather than the mansion operating appropriation. Also, other operating expenses of the mansion were paid through the office operating appropriation and by the OA.

The current mansion director was employed in May 2010. During May and June 2010, her salary was split between the office and mansion appropriations, each paying approximately \$1,900, and in fiscal year 2011, her entire salary was paid by the Governor's office appropriation. We also identified other mansion operating expenses totaling \$2,888 and \$20,885 for the years ended June 30, 2011 and 2010, respectively, paid by the office operating appropriation. These expenses included items such as food purchases, printing of menus/invitations, and floral arrangements for



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mansion events/functions. In January and April 2009, the OA paid mansion expenses totaling \$49,240 related to mansion operations and events/functions. It appears the Governor's office and OA paid these expense to prevent the mansion from exceeding its appropriation.

By paying the mansion director's salary and other operating expenses from the office and OA appropriations, the Governor's office has understated the operating expenses of the mansion. This practice makes it difficult to establish accountability for the true and accurate costs of operating the mansion, and negates limits established by the General Assembly to control the cost of operating the mansion.

## Recommendations

The Office of Governor:

- 5.1 Ensure the reasons and explanations for not charging fees for an event/function at the mansion are documented and retained.
- 5.2 Require the mansion operating expenses to be paid from the mansion appropriation.

## Auditee's Response

*The three groups noted involved events that either did not have food service or had food provided directly by an outside food vendor. In these instances, any such funds do not go into a state account. The office will consider the recommendation that documentation be provided when costs are waived.*

## 6. Governor's Security Costs

Total costs for the Governor's security cannot be readily determined. Significant costs of the Governor's security division, within the MSHP, are not specifically identified in the division's appropriations.

The Governor's security division receives annual appropriations from the state General Revenue Fund for division operating expenses. The operating costs include expenses such as travel, professional development, and equipment. Expenditures from the security division's appropriation totaled approximately \$60,000, \$59,000 and \$128,000 for the years ended June 30, 2011, 2011, and 2009, respectively. However, the salaries and fringe benefits of MSHP patrolmen assigned to the Governor's security division, their vehicles, and related vehicle fuel and maintenance/repair costs, are not paid from the security division's appropriations. These costs are paid from other MSHP appropriations and are not separately tracked and accounted for by the MSHP. In addition, we determined travel expenses totaling \$23,443, \$10,424, and \$7,049 for the years ended June 30, 2011, 2011, 2009, respectively, for the security division were paid by other MSHP appropriations.

The practice of not paying all costs associated with the Governor's security division from division appropriations and/or not separately tracking and accounting for personnel and vehicle expenses reduces the accountability of



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the security division and makes it difficult to determine the total cost to the state for the Governor's security.

A similar condition was noted in our prior audit report.

## Recommendation

The Office of Governor, in conjunction with Department of Public Safety, MSHP, pursue appropriations for the security division sufficient to fund all division operating expenses, including personnel and vehicle expenses.

## Auditee's Response

*Security is provided by the Missouri State Highway Patrol pursuant to Section 43.330, RSMo.*

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## 7. Office Policies and Procedures

The Office of Governor has not established comprehensive written policies and procedures for the operation of the office and does not prepare performance appraisals for employees. The Governor's official calendar is not always maintained in a clear and detailed manner.

### 7.1 Employee manual

The Governor's office has not developed a written comprehensive employee manual to address issues such as working hours, performance appraisals, lines of authority, code of conduct, use of state resources and other items of importance to employees.

A comprehensive employee manual which details policies and procedures can benefit both the office and employees by providing an understanding between management and employees regarding rights and responsibilities. An employee manual can also provide guidance and control for the effective and consistent management of the office and to help avoid misunderstandings and ensure management's policies are fairly and consistently applied to all employees.

### 7.2 Performance appraisals

The Governor's office does not require performance appraisals be prepared for employees.

Performance appraisals are needed to adequately evaluate employee performance and provide documented feedback to employees. Performance appraisals also assist in personnel decisions.

### 7.3 Governor's calendar

The Office of Governor needs to better document the Governor's official business on his official office calendar.

We noted numerous instances when the only documentation of the Governor's activities on his official calendar was meeting, event, appointment, and phone call. Office personnel indicated the purpose of the Governor's activity could be determined by reviewing the Governor's office website for a press release or the internet. However, for days reviewed, we determined documentation of the Governor's activity was not always available through these methods. As a result, it was not possible to



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reach a definitive conclusion as whether official or non-official business was conducted.

Good governance and the conduct of state business requires transparency, openness, and accountability. The Governor's official office calendar should have sufficient detail that a reasonable person is able to ascertain the nature of the business.

## Recommendations

The Office of Governor:

- 7.1 Develop a comprehensive written employee manual.
- 7.2 Implement procedures to require annual performance appraisals be prepared for all employees.
- 7.3 Include sufficient detail regarding the Governor's activities on the official calendar to ensure the public is fully informed.

## Auditee's Response

*The office acknowledges this recommendation.*

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## 8. Governor Withholding

In August 2011, the Office of State Auditor issued Report No. 2011-43, *Governor Withholding Report*. The report communicated the results of our comprehensive review of the Governor's actions to withhold state fiscal year (FY) 2012 appropriated expenditures.

Because the OA did not document a calculation of the necessary withholding amount, it was not possible for us to determine whether the amount withheld from FY 2012 appropriated expenditures was accurately calculated. In addition, the method used to make the FY 2012 withholdings did not appear to comply with constitutional provisions.

Subsequent to the release of the withholding report, the State Auditor filed suit against the Governor to resolve issues related to the withholdings. On June 28, 2012, the Circuit Court in Cole County issued a ruling in *Thomas Schweich v Jeremiah W Nixon ET AL*, case number 11AC-CC00567.

The court concluded the Governor could control the rate of expenditures or withhold and reduce expenditures below their appropriation during any time where actual revenues are less than the revenue estimates. However, the court also held that the Governor may not increase expenditures for any line item in excess of the amount of any estimated (E) appropriation, and instructed the Commissioner of Administration to certify no warrant for payment if the expenditure caused the E appropriation to be exceeded.

The State Auditor intends to appeal certain aspects of the court's ruling.

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# Office of Governor

## Organization and Statistical Information

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The supreme executive power of the state is vested in the governor. Unless otherwise provided by law, the Governor appoints members of all boards, commissions, and state government department heads as well as those of several other entities in the state and all vacancies in public offices. He commissions all officers of the state unless otherwise provided by law. Through his capacity as commander-in-chief of the militia, the Governor is the conservator of peace throughout the state.

Providing the state's principal financial administration, the governor presents to the General Assembly a proposed budget for each appropriation period. All bills passed by both houses are presented to and considered by the governor where they are signed into law or disapproved and returned to the originating house.

In addition to the duties which are specifically assigned to the governor in the constitution, he has many other duties assigned to him by statute and by custom. The governor is also a member of the Board of Public Buildings and the State Board of Fund Commissioners.

The governor is required to be at least 30 years of age and must have been a citizen of the United States for at least 15 years and a resident of this state at least 10 years prior to election. The governor is elected at the presidential election for a four-year term and is subject to re-election. No person may hold the office for more than two terms.

On January 12, 2009, Jeremiah W. (Jay) Nixon was inaugurated as the state's fifty-fifth governor.

The Governor and his family reside in the Governor's mansion, located near the capitol. The mansion was first occupied in 1872 and was added to the National Register of Historic Places in 1969. The Governor and First Lady host public and private events at the mansion. Events are also hosted by other entities including the Missouri Mansion Preservation, Inc., a statewide, nonpartisan, nonprofit organization dedicated to the mansion's restoration and educational programs.

At June 30, 2011, the Governor's office payroll included 25 full-time personnel, and two interns. This includes staff of the Governor's satellite offices in St. Louis and Kansas City, where they serve as a local point of contact for members of the public, local governments, and organizations, and two full-time personnel employed at the mansion.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Office of Governor did not receive any federal stimulus monies during the 3 years ended June 30, 2011.

Appendix A

Office of Governor  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2011			2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND									
National Guard Emergency	\$ 3,582,175	3,401,847	180,328	209,721	9,678	200,043	2,070,301	2,070,128	173
Government Emergency Fund Commission	1	0	1	1	0	1	1	0	1
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses- Expense	370,095	370,095	0	329,646	323,277	6,369	352,131	339,876	12,255
Special Audits	30,000	2,174	27,826	30,000	30,000	0	200,000	200,000	0
Mansion Operating Expense	142,628	142,626	2	142,628	142,628	0	142,628	142,600	28
Governor's Office	1,986,741	1,986,740	1	2,084,261	2,074,257	10,004	2,005,743	2,005,265	478
Total General Revenue Fund	\$ 6,111,640	5,903,482	208,158	2,796,257	2,579,840	216,417	4,770,804	4,757,869	12,935

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,		
	2011	2010	2009
General Revenue Fund			
Governor's Office	\$ 0	10,000	0
Payment of real property leases, related services, utilities, systems furniture, structural modification, and related expenses- Expense and Equipment	0	6,369	0
Total General Revenue Fund	\$ 0	16,369	0

Appendix B

Office of Governor  
Comparative Statement of Expenditures 1) (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Governor's office:					
Salaries and wages	\$ 1,832,617	1,875,690	1,388,176	1,801,670	1,692,312
Travel, in-state	15,105	25,204	87,707	64,309	19,003
Travel, out-of-state	11,164	17,459	20,940	14,823	15,174
Supplies	52,363	40,249	25,133	24,035	39,193
Professional development	8,753	11,946	1,845	5,538	4,105
Communication services and supplies	40,301	39,714	5,463	16,263	32,565
Services:					
Professional	16,900	37,409	413,695	10,784	17,353
Maintenance and repair	1,500	1,442	1,730	2,709	1,817
Office equipment	262	1,523	1,437	2,301	922
Other equipment	0	0	939	0	4,415
Parking leases	682	114	0	0	0
Equipment rental and leases	1,276	1,369	1,449	1,730	2,704
Agency provided food	5,773	21,750	1,605	1,350	3,286
Miscellaneous expenses	24	378	146	21	18
Total office expenditures	<u>1,986,720</u>	<u>2,074,247</u>	<u>1,950,265</u>	<u>1,945,533</u>	<u>1,832,867</u>
Mansion operating: 2)					
Salaries and wages	63,395	77,338	113,778	84,865	84,839
Travel, in-state	0	64	1,071	246	0
Travel, out-of-state	0	900	1,977	507	0
Supplies	8,801	9,460	2,091	10,169	12,977
Professional development	0	0	350	0	0
Communication services and supplies	51	0	0	0	0
Services:					
Professional	13,298	5,972	1,129	6,063	6,194
Maintenance and repair	828	1,575	993	1,545	1,534
Office equipment	0	22	40	0	0
Other equipment	0	40	0	0	0
Agency provided food	56,253	47,257	21,080	36,867	32,549
Miscellaneous expenses	0	0	91	0	0
Total mansion expenditures	<u>142,626</u>	<u>142,628</u>	<u>142,600</u>	<u>140,262</u>	<u>138,093</u>
National Guard Emergency	3,401,847	9,678	2,070,128	160,741	1,113,453
Real property rental and leases	370,095	323,277	339,876	317,025	302,408
Special audits	2,174	30,000	200,000	0	30,000
Association dues	20	10	55,000	0	40,888
Total	<u>\$ 5,903,482</u>	<u>2,579,840</u>	<u>4,757,869</u>	<u>2,563,561</u>	<u>3,457,709</u>

1) The office and mansion expenditures do not include expenses paid by other state agencies.

2) The mansion expenditures do not include expenses paid by the Mansion Donation Fund. See Appendix D.

## Appendix C

Office of Governor

Department of Public Safety, Missouri State Highway Patrol

Governor's Security Division

Comparative Statement of Expenditures 1) (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Travel, in-state	\$ 23,600	20,605	30,905	48,717	36,045
Travel, out-of-state	33,323	33,921	93,018	58,989	67,007
Uniform and clothing allowance	0	0	0	0	6,405
Supplies	42	1,130	1,621	481	344
Professional development	160	2,560	160	1,980	1,120
Communication services and supplies	826	0	0	91	224
Services:					
Professional	0	78	0	0	0
Maintenance and repair	0	0	0	0	130
Other equipment	2,250	346	2,514	727	0
Equipment rental and leases	0	0	0	0	7
Total	\$ <u>60,201</u>	<u>58,640</u>	<u>128,218</u>	<u>110,985</u>	<u>111,282</u>

1) The Security Division expenditures do not include expenses paid by other Missouri State Highway Patrol appropriations.



## Appendix D

Office of Governor

Mansion Donation Fund

Comparative Statement of Receipts, Disbursements, and Changes in Cash

	Year Ended June 30,	
	2011	2010
<b>RECEIPTS</b>		
Reimbursements/Donations	\$ 53,359	31,133
<b>DISBURSEMENTS</b>		
Supplies	4,088	1,503
Services, professional	509	3,163
Services, maintenance and repair	0	788
Equipment, office	10	0
Equipment, other	900	0
Agency provided food	21,283	5,606
Total Disbursements	26,790	11,060
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	26,569	20,073
<b>CASH, JULY 1</b>	20,073	0
<b>CASH, JUNE 30</b>	\$ 46,642	20,073

The Mansion Donation Fund is a revolving fund established in the State Facility Maintenance and Operation Fund. The purpose of the Mansion Donation Fund is to accept donations to the mansion for payment of costs associated with events at the mansion.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

August 21, 2012

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Alana M. Barragán-Scott, Director  
Department of Revenue  
and  
Douglas E. Nelson, Acting Commissioner  
Office of Administration  
Jefferson City, Missouri

Dear Governor Nixon, Director Barragán-Scott, and Commissioner Nelson:

This letter relates to our review of decisions made by the Department of Revenue (DOR) and Office of Administration (OA) to award and then cancel the contract to operate the Maplewood (formerly Deer Creek) Contract License Office. The OA awarded the contract to Deer Creek License Office Management, Inc., of St. Louis on May 18, 2012, and canceled the contract on May 31, 2012.

The objectives of our review were to determine if:

1. The proposal submitted by Deer Creek License Office Management Inc., of St. Louis was adequately and effectively evaluated by the DOR and OA.
2. The decision to cancel the contract was reasonable and properly documented.

Our review determined the OA awarded the contract to operate the Maplewood Contract License Office even though the bidder failed to meet certain requirements of the Request for Proposals (RFP). It is unclear why the DOR and OA did not consider the proposal to be insufficient at the time the bid was initially evaluated. In addition, while the DOR and the OA decision to cancel the contract was appropriate, no written documentation to support the rationale for subsequently canceling the contract with Deer Creek License Office Management, Inc., of St. Louis was retained. In addition, we noted concerns with the uncooperative and untimely nature in which the DOR addressed our requests for information. DOR responses to our requests and specific questions often lacked sufficient detail, did not directly address the question, and were not provided in a timely manner.

## **Methodology**

The methodology to accomplish our objectives included (1) reviewing and evaluating certain aspects of the proposal submitted by Deer Creek License Office Management, Inc., of St. Louis to operate the Maplewood Contract License Office, (2) reviewing and evaluating proposal evaluation documents and other related information prepared by DOR and OA personnel, and (3) obtaining an understanding of applicable legal provisions.

## **Background - Contract License Offices**

Pursuant to Section 136.030(2), RSMo, the DOR has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the State Auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing (MVDL) Division, is responsible for administering contract license offices throughout the state.

The OA awards contract license offices through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract agents do not receive compensation from the DOR, but do receive fees, set by statute, from customers for each type of transaction processed by the office. The contract may be canceled at the discretion of the DOR.

Although the OA, Division of Purchasing and Materials Management manages the bidding process for the contract license offices, the DOR assists with developing the terms of the Request for Proposals (RFP). In accordance with Chapter 34, RSMo, the contract license office contract must be awarded to the lowest and best offeror.

The DOR is responsible for evaluating bids and proposals for:

- Sales and service, efficient operations, and technical support.
- Personnel qualifications, financial stability, and past performance and experience.
- Oral conference, if needed.
- Compliance with state sales tax provisions.

The OA is responsible for determining and awarding points for:

- Not-for-profit or political subdivision status.
- Minority business enterprise/woman's business enterprise participation.
- The offeror's commitment to return to the state a percentage of earned processing fees.

The OA issued the RFP to operate the Maplewood Contract License Office in November 2011. The OA awarded the contract to Deer Creek License Office Management, Inc., of St. Louis on May 18, 2012, with the contract period set to begin on June 4, 2012. Ms. Kathleen Burkett is listed as President of the company. According to the DOR, for the year ended June 30, 2011, the Maplewood Contract License Office conducted 125,327 transactions and generated agent processing fees of \$418,222.

## Results and Conclusions

During the initial evaluation of proposals, the DOR and OA did not ensure the financial stability documentation submitted was adequate, resulting in the OA improperly awarding the contract to operate the Maplewood Contract License Office. The financial stability requirement requires offerors to provide documentation in their bid/proposal verifying the availability of credit/assets for the offeror in the amount of at least \$105,000. Acceptable documentation includes (1) a document from a bank or other lending institution indicating that the offeror can obtain the amount of credit specified, or (2) an asset letter from a bank or other financial institution verifying the value of unencumbered assets equal to at least \$105,000. However, the Deer Creek License Office Management, Inc., of St. Louis proposal provided a bank letter which stated the bank "**commits to consider** a \$105,000 line of credit." The DOR needs to strengthen verification procedures to ensure offerors submit proposals that comply with the terms of the RFP.

The DOR and OA did not prepare and retain written documented support for the criteria and/or reasons considered when canceling the contract. The DOR indicated the decision to cancel the contract was made jointly by the DOR and OA, but there is no written documented criteria to support this decision. The DOR indicated the contract was canceled because the offeror failed to meet the obligation of the credit/asset verification requirement of the RFP by providing acceptable documentation. It is unclear why the documentation provided as part of the proposal was considered sufficient at the time the proposal was initially evaluated, but later determined to be unacceptable after the contract had been awarded. The DOR and OA needs to retain adequate documentation of actions taken related to contract awards to support the reasonableness and appropriateness of decisions made.

The DOR did not provide full cooperation during our inquiry related to decisions made regarding the award and subsequent cancellation of the Maplewood Contract License Office contract. A summary of our specific requests and the timing of responses is presented below:

- On May 25, 2012, we requested information from the OA documenting that the DOR had determined whether the offeror owed state taxes. On May 29, the OA referred us to the DOR for documentation.
- On June 4, we requested information from the DOR regarding the cancellation of the contract and the process to ensure all state taxes are paid. After several follow-up requests, we scheduled a June 11 meeting with the Director of the MVDL division, to discuss our request for information.
- Following the meeting, on June 13, the Director requested that we submit our questions in writing, which we did that day.
- On June 18, we received a response to our information request; however, the response lacked sufficient detail and did not fully address our questions, and some requested documentation was not provided. That same day and on June 21, we sent the DOR another request to provide additional information for questions not addressed.
- On July 19, after several more requests, the DOR provided additional responses to our requests submitted on June 18 and 21. However, the responses again lacked sufficient detail.
- On July 30, the DOR finally provided access to documentation indicating the DOR had properly determined whether the offeror owed state sales taxes.

## **Recommendations**

We will review these issues further when we conduct a follow-up audit to Report No. 2012-28, *Contract License Offices Bidding and Procurement*, issued in April 2012. We are providing this information to the DOR and the OA at this time so appropriate corrective action can be made to procedures regarding the evaluation and awarding of contract license office contracts. We recommend the DOR take action to strengthen financial stability verification procedures prior to awarding contract license office contracts, and the DOR and OA ensure all actions related to the award and cancellation of contracts are properly documented.

Sincerely,

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in between.

Thomas A. Schweich  
State Auditor



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Wright County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Wright County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich", is positioned above the printed name and title.

Thomas A. Schweich  
State Auditor

August 2012  
Report No. 2012-93

**WRIGHT COUNTY, MISSOURI**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2011 and 2010**

# WRIGHT COUNTY, MISSOURI

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DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

[www.dlmcpa.com](http://www.dlmcpa.com)  
e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

## **INDEPENDENT AUDITORS' REPORT**

Wright County Commission  
Wright County  
Hartville, Missouri

We have audited the accompanying financial statements of Wright County, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Wright County, Missouri, as of December 31, 2011 and 2010, or the changes in financial position for the years then ended.

Wright County Commission  
Wright County  
Hartville, Missouri

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of Wright County, Missouri, as of and for the year ended December 31, 2011 and 2010, and the receipts, disbursements and budgetary results of the governmental funds for the years ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Davis, Lynn; Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
June 14, 2012

WRIGHT COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT  
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS  
Year Ended December 31, 2011

FUND	Cash and Investment Balance	Receipts	Disbursements	Cash and Investment Balance
	January 1			December 31
General Revenue	\$ 251,980	\$ 1,652,865	\$ 1,635,429	\$ 269,416
Special Road and Bridge	504,704	1,508,035	1,505,244	507,495
Assessment	3,167	166,671	169,054	784
Law Enforcement Training	16,542	8,061	3,860	20,743
Sheriff Fee	14,651	70,338	68,147	16,842
Inmate Security	12,641	5,024	8,942	8,723
Prosecuting Attorney Training	441	1,238	468	1,211
Local Emergency Planning Commission	1,993	2,686	4,203	476
Domestic Shelter	180	594	674	100
Computer Upgrade & Remodeling	7,743	74	4,282	3,535
Election Services	3,867	2,786	337	6,316
Recorder User Fee	114,208	6,521	15,523	105,206
Recorder Technology	3,877	3,909	5,056	2,730
Plat Book	9,559	1,469	9,230	1,798
Assessor Technology	25,915	18,621	29,400	15,136
Concealed Weapons	33,344	10,944	6,127	38,161
County Restitution	11,007	21,212	26,616	5,603
PA Delinquent Tax	9,129	2,073	8,359	2,843
Election Depreciation/HAVA Income	12,930	9,620	7,475	15,075
Tax Maintenance	1,167	21,172	21,057	1,282
Special Election	-	68,202	25,832	42,370
PA Bad Check	2,845	15,234	11,360	6,719
Recovery Act Grant	1,851	5	1,855	1
Community Development Block Grant	-	50,535	50,535	-
Developmentally Disabled Board	424,067	158,068	84,989	497,146
TOTAL	<u>\$ 1,467,808</u>	<u>\$ 3,805,957</u>	<u>\$ 3,704,054</u>	<u>\$ 1,569,711</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT  
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS  
Year Ended December 31, 2010

FUND	Cash and Investment Balance	Receipts	Disbursements	Cash and Investment Balance
	January 1			December 31
General Revenue	\$ 201,581	\$ 1,512,388	\$ 1,461,989	\$ 251,980
Special Road and Bridge	472,412	1,404,920	1,372,628	504,704
Assessment	14,360	158,666	169,859	3,167
Law Enforcement Training	8,479	10,994	2,931	16,542
Sheriff Fee	(6,106)	73,965	53,208	14,651
Inmate Security	19,990	5,354	12,703	12,641
Prosecuting Attorney Training	268	2,020	1,847	441
Local Emergency Planning Commission	4,558	38	2,603	1,993
Domestic Shelter	736	614	1,170	180
Computer Upgrade & Remodeling	7,662	81	-	7,743
Election Services	3,996	2,886	3,015	3,867
Recorder User Fee	112,942	6,799	5,533	114,208
Recorder Technology	6,216	4,117	6,456	3,877
Plat Book	7,569	1,990	-	9,559
Assessor Technology	19,298	17,915	11,298	25,915
Concealed Weapons	21,704	15,229	3,589	33,344
County Restitution	11,537	27,401	27,931	11,007
PA Delinquent Tax	4,614	4,515	-	9,129
Election Depreciation/HAVA Income	10,155	3,325	550	12,930
Tax Maintenance	1,508	20,681	21,022	1,167
Special Election	-	23,755	23,755	-
PA Bad Check	17,904	14,969	30,028	2,845
Recovery Act Grant	-	5,260	3,409	1,851
Community Development Block Grant	-	293,685	293,685	-
Developmentally Disabled Board	345,845	161,919	83,697	424,067
TOTAL	<u>\$ 1,287,228</u>	<u>\$ 3,773,486</u>	<u>\$ 3,592,906</u>	<u>\$ 1,467,808</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<b>GENERAL REVENUE FUND</b>						
<b>RECEIPTS</b>						
Property taxes	\$ 120,000	\$ 136,045	\$ 16,045	\$ 75,500	\$ 135,458	\$ 59,958
Sales taxes	725,000	738,026	13,026	765,000	715,638	(49,362)
Intergovernmental	416,057	392,245	(23,812)	299,734	288,821	(10,913)
Charges for services	265,013	268,296	3,283	297,725	250,167	(47,558)
Interest	3,300	3,610	310	4,100	3,593	(507)
Other	28,561	22,022	(6,539)	16,800	14,606	(2,194)
Transfers in	104,973	92,621	(12,352)	123,100	104,105	(18,995)
<b>TOTAL RECEIPTS</b>	<b>1,662,904</b>	<b>1,652,865</b>	<b>(10,039)</b>	<b>1,581,959</b>	<b>1,512,388</b>	<b>(69,571)</b>
<b>DISBURSEMENTS</b>						
Collector of Revenue	69,630	70,859	(1,229)	66,519	64,706	1,813
Treasurer	42,020	42,055	(35)	34,080	36,608	(2,528)
Recorder of Deeds	52,455	50,672	1,783	22,458	22,061	397
County Commission	84,335	83,954	381	78,109	78,240	(131)
Emergency Management	500	50	450	500	-	500
Public Administrator	41,183	41,229	(46)	41,252	41,208	44
Election and Voter Registration	26,539	25,736	803	107,966	83,818	24,148
County Clerk	58,000	58,304	(304)	57,003	56,926	77
Fringe Benefits	282,957	210,755	72,202	233,993	198,198	35,795
Building and Grounds	171,400	166,419	4,981	87,496	91,657	(4,161)
Court Administration	16,373	17,364	(991)	16,373	15,279	1,094
Circuit Clerk	23,971	16,468	7,503	21,100	19,376	1,724
Coroner	17,000	16,071	929	17,300	17,049	251
Juvenile Officer	76,213	76,421	(208)	87,443	73,024	14,419
Prosecuting Attorney	162,597	158,070	4,527	84,663	84,793	(130)
Sheriff	274,209	285,044	(10,835)	269,523	274,947	(5,424)
Jail	104,510	125,828	(21,318)	82,630	90,389	(7,759)
Public Health and Welfare Services	32,402	32,085	317	45,905	46,777	(872)
Public Defender	10,455	10,345	110	10,453	10,409	44
Other General County Government	96,100	96,842	(742)	117,015	100,630	16,385
Other	6,000	8,858	(2,858)	11,900	8,794	3,106
Emergency Fund	49,928	-	49,928	46,070	-	46,070
Transfers out	42,000	42,000	-	42,000	47,100	(5,100)
<b>TOTAL DISBURSEMENTS</b>	<b>1,740,777</b>	<b>1,635,429</b>	<b>105,348</b>	<b>1,581,751</b>	<b>1,461,989</b>	<b>119,762</b>
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(77,873)	17,436	95,309	208	50,399	50,191
CASH AND INVESTMENT						
BALANCE, January 1	251,980	251,980	-	196,928	201,581	4,653
CASH AND INVESTMENT						
BALANCE, December 31	\$ 174,107	\$ 269,416	\$ 95,309	\$ 197,136	\$ 251,980	\$ 54,844

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Sales taxes	\$ 725,000	\$ 737,874	\$ 12,874	\$ 715,000	\$ 715,428	\$ 428
Intergovernmental	642,500	731,621	89,121	638,000	669,102	31,102
Interest	4,500	5,340	840	2,800	5,547	2,747
Other	11,115	33,200	22,085	13,300	14,843	1,543
TOTAL RECEIPTS	1,383,115	1,508,035	124,920	1,369,100	1,404,920	35,820
DISBURSEMENTS						
Salaries	410,067	403,072	6,995	383,950	396,009	(12,059)
Employee fringe benefits	130,705	119,812	10,893	118,939	113,168	5,771
Supplies	162,500	187,076	(24,576)	179,500	156,562	22,938
Insurance	33,000	29,887	3,113	35,000	31,293	3,707
Road and bridge materials	252,000	178,514	73,486	176,500	187,864	(11,364)
Equipment repairs	90,000	108,466	(18,466)	72,000	88,625	(16,625)
Equipment rentals	1,800	835	965	1,325	685	640
Equipment purchases	170,000	142,854	27,146	134,000	76,018	57,982
Construction, repair, and maintenance	247,500	248,862	(1,362)	252,500	242,128	10,372
Other	18,500	15,206	3,294	16,775	14,781	1,994
Transfers out	75,800	70,660	5,140	70,000	65,495	4,505
TOTAL DISBURSEMENTS	1,591,872	1,505,244	86,628	1,440,489	1,372,628	67,861
RECEIPTS OVER (UNDER) DISBURSEMENTS	(208,757)	2,791	211,548	(71,389)	32,292	103,681
CASH AND INVESTMENT BALANCE, January 1	504,704	504,704	-	462,412	472,412	10,000
CASH AND INVESTMENT BALANCE, December 31	\$ 295,947	\$ 507,495	\$ 211,548	\$ 391,023	\$ 504,704	\$ 113,681
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 129,742	\$ 120,840	\$ (8,902)	\$ 115,938	\$ 124,556	\$ 8,618
Charges for services	185	194	9	412	196	(216)
Interest	180	173	(7)	321	197	(124)
Other	2,400	3,394	994	2,938	3,717	779
Transfers in	42,070	42,070	-	34,076	30,000	(4,076)
TOTAL RECEIPTS	174,577	166,671	(7,906)	153,685	158,666	4,981
DISBURSEMENTS						
Assessor	177,743	169,054	8,689	168,045	169,859	(1,814)
TOTAL DISBURSEMENTS	177,743	169,054	8,689	168,045	169,859	(1,814)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,166)	(2,383)	783	(14,360)	(11,193)	3,167
CASH AND INVESTMENT BALANCE, January 1	3,167	3,167	-	14,360	14,360	-
CASH AND INVESTMENT BALANCE, December 31	\$ 1	\$ 784	\$ 783	\$ -	\$ 3,167	\$ 3,167

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW ENFORCEMENT</u>						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 10,000	\$ 7,616	\$ (2,384)	\$ 6,500	\$ 10,890	\$ 4,390
Interest	100	191	91	65	104	39
Other	-	254	254	-	-	-
TOTAL RECEIPTS	10,100	8,061	(2,039)	6,565	10,994	4,429
DISBURSEMENTS						
Sheriff	6,510	3,860	2,650	4,005	2,931	1,074
TOTAL DISBURSEMENTS	6,510	3,860	2,650	4,005	2,931	1,074
RECEIPTS OVER DISBURSEMENTS	3,590	4,201	611	2,560	8,063	5,503
CASH AND INVESTMENT BALANCE, January 1	16,542	16,542	-	8,479	8,479	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 20,132</u>	<u>\$ 20,743</u>	<u>\$ 611</u>	<u>\$ 11,039</u>	<u>\$ 16,542</u>	<u>\$ 5,503</u>
<u>SHERIFF FEE FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ -
Charges for services	58,300	51,611	(6,689)	50,100	61,869	11,769
Interest	85	220	135	40	96	56
Other	-	3,507	3,507	6,220	-	(6,220)
Transfers in	17,000	12,000	(5,000)	12,000	12,000	-
TOTAL RECEIPTS	75,385	70,338	(5,047)	68,360	73,965	5,605
DISBURSEMENTS						
Sheriff	69,951	68,147	1,804	53,510	53,208	302
TOTAL DISBURSEMENTS	69,951	68,147	1,804	53,510	53,208	302
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,434	2,191	(3,243)	14,850	20,757	5,907
CASH AND INVESTMENT BALANCE, January 1	14,651	14,651	-	(6,106)	(6,106)	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 20,085</u>	<u>\$ 16,842</u>	<u>\$ (3,243)</u>	<u>\$ 8,744</u>	<u>\$ 14,651</u>	<u>\$ 5,907</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>INMATE SECURITY FUND</u>						
RECEIPTS						
Charges for services	\$ 6,000	\$ 4,918	\$ (1,082)	\$ 6,500	\$ 5,176	\$ (1,324)
Interest	160	106	(54)	250	178	(72)
TOTAL RECEIPTS	6,160	5,024	(1,136)	6,750	5,354	(1,396)
DISBURSEMENTS						
Sheriff	18,600	8,942	9,658	20,250	12,703	7,547
TOTAL DISBURSEMENTS	18,600	8,942	9,658	20,250	12,703	7,547
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(12,440)	(3,918)	8,522	(13,500)	(7,349)	6,151
CASH AND INVESTMENT BALANCE, January 1	12,641	12,641	-	19,630	19,990	360
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 201</u>	<u>\$ 8,723</u>	<u>\$ 8,522</u>	<u>\$ 6,130</u>	<u>\$ 12,641</u>	<u>\$ 6,511</u>
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 1,700	\$ 1,230	\$ (470)	\$ 1,650	\$ 1,518	\$ (132)
Interest	1	8	7	4	2	(2)
Transfers in	-	-	-	1,700	500	(1,200)
TOTAL RECEIPTS	1,701	1,238	(463)	3,354	2,020	(1,334)
DISBURSEMENTS						
Prosecuting Attorney	1,875	468	1,407	3,600	1,847	1,753
TOTAL DISBURSEMENTS	1,875	468	1,407	3,600	1,847	1,753
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(174)	770	944	(246)	173	419
CASH AND INVESTMENT BALANCE, January 1	441	441	-	268	268	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 267</u>	<u>\$ 1,211</u>	<u>\$ 944</u>	<u>\$ 22</u>	<u>\$ 441</u>	<u>\$ 419</u>

See accompanying notes.



WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LOCAL EMERGENCY</u>						
<u>PLANNING COMMISSION</u>						
RECEIPTS						
Intergovernmental	\$ 3,350	\$ 2,663	\$ (687)	\$ 5,000	\$ 5	\$ (4,995)
Interest	30	23	(7)	30	33	3
TOTAL RECEIPTS	3,380	2,686	(694)	5,030	38	(4,992)
DISBURSEMENTS						
Other	5,220	4,203	1,017	9,535	2,603	6,932
TOTAL DISBURSEMENTS	5,220	4,203	1,017	9,535	2,603	6,932
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(1,840)	(1,517)	323	(4,505)	(2,565)	1,940
CASH AND INVESTMENT						
BALANCE, January 1	1,993	1,993	-	4,558	4,558	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ 153</u>	<u>\$ 476</u>	<u>\$ 323</u>	<u>\$ 53</u>	<u>\$ 1,993</u>	<u>\$ 1,940</u>
<u>DOMESTIC SHELTER FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,000	590	\$ (410)	\$ 700	\$ 607	\$ (93)
Interest	8	4	(4)	4	7	3
TOTAL RECEIPTS	1,008	594	(414)	704	614	(90)
DISBURSEMENTS						
Other	1,000	674	326	1,440	1,170	270
TOTAL DISBURSEMENTS	1,000	674	326	1,440	1,170	270
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	8	(80)	(88)	(736)	(556)	180
CASH AND INVESTMENT						
BALANCE, January 1	180	180	-	736	736	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ 188</u>	<u>\$ 100</u>	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ 180</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

Year Ended December 31,						
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>COMPUTER UPGRADE AND REMODELING FUND</u>						
RECEIPTS						
Interest	\$ 65	\$ 74	\$ 9	\$ 100	\$ 81	\$ (19)
TOTAL RECEIPTS	65	74	9	100	81	(19)
DISBURSEMENTS						
Other	7,800	4,282	3,518	3,100	-	3,100
TOTAL DISBURSEMENTS	7,800	4,282	3,518	3,100	-	3,100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,735)	(4,208)	3,527	(3,000)	81	3,081
CASH AND INVESTMENT BALANCE, January 1	7,743	7,743	-	3,014	7,662	4,648
CASH AND INVESTMENT BALANCE, December 31	\$ 8	\$ 3,535	\$ 3,527	\$ 14	\$ 7,743	\$ 7,729
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 2,800	\$ 2,731	\$ (69)	\$ 4,000	\$ 2,850	\$ (1,150)
Interest	30	55	25	45	36	(9)
TOTAL RECEIPTS	2,830	2,786	(44)	4,045	2,886	(1,159)
DISBURSEMENTS						
Elections	6,500	337	6,163	6,500	3,015	3,485
TOTAL DISBURSEMENTS	6,500	337	6,163	6,500	3,015	3,485
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,670)	2,449	6,119	(2,455)	(129)	2,326
CASH AND INVESTMENT BALANCE, January 1	3,867	3,867	-	3,996	3,996	-
CASH AND INVESTMENT BALANCE, December 31	\$ 197	\$ 6,316	\$ 6,119	\$ 1,541	\$ 3,867	\$ 2,326

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	\$ 5,300	\$ 5,352	\$ 52	\$ 5,500	\$ 5,620	\$ 120
Interest	1,000	1,169	169	1,600	1,179	(421)
TOTAL RECEIPTS	6,300	6,521	221	7,100	6,799	(301)
DISBURSEMENTS						
Recorder of Deeds	113,633	15,523	98,110	110,000	-	110,000
Transfers out	-	-	-	-	5,533	(5,533)
TOTAL DISBURSEMENTS	113,633	15,523	98,110	110,000	5,533	104,467
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(107,333)	(9,002)	98,331	(102,900)	1,266	104,166
CASH AND INVESTMENT BALANCE, January 1	114,208	114,208	-	112,942	112,942	-
CASH AND INVESTMENT BALANCE, December 31	\$ 6,875	\$ 105,206	\$ 98,331	\$ 10,042	\$ 114,208	\$ 104,166
<u>RECORDER TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for services	\$ 3,800	\$ 3,873	\$ 73	\$ 4,500	\$ 4,061	\$ (439)
Interest	50	36	(14)	62	56	(6)
TOTAL RECEIPTS	3,850	3,909	59	4,562	4,117	(445)
DISBURSEMENTS						
Recorder of Deeds	5,200	5,056	144	4,500	6,456	(1,956)
TOTAL DISBURSEMENTS	5,200	5,056	144	4,500	6,456	(1,956)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(1,350)	(1,147)	203	62	(2,339)	(2,401)
CASH AND INVESTMENT BALANCE, January 1	3,877	3,877	-	6,216	6,216	-
CASH AND INVESTMENT BALANCE, December 31	\$ 2,527	\$ 2,730	\$ 203	\$ 6,278	\$ 3,877	\$ (2,401)

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>PLAT BOOK FUND</u>						
RECEIPTS						
Charges for services	\$ 9,200	\$ 1,378	\$ (7,822)	\$ 4,800	\$ 1,910	\$ (2,890)
Interest	75	91	16	60	80	20
TOTAL RECEIPTS	9,275	1,469	(7,806)	4,860	1,990	(2,870)
DISBURSEMENTS						
Other	17,100	9,230	7,870	12,100	-	12,100
TOTAL DISBURSEMENTS	17,100	9,230	7,870	12,100	-	12,100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,825)	(7,761)	64	(7,240)	1,990	9,230
CASH AND INVESTMENT BALANCE, January 1	9,559	9,559	-	7,569	7,569	-
CASH AND INVESTMENT BALANCE, December 31	\$ 1,734	\$ 1,798	\$ 64	\$ 329	\$ 9,559	\$ 9,230
<u>ASSESSOR TECHNOLOGY FUND</u>						
RECEIPTS						
Intergovernmental	\$ 18,000	\$ 18,324	\$ 324	\$ 15,262	\$ 17,609	\$ 2,347
Interest	250	297	47	321	306	(15)
Other	2,000	-	(2,000)	-	-	-
TOTAL RECEIPTS	20,250	18,621	(1,629)	15,583	17,915	2,332
DISBURSEMENTS						
Assessor	37,400	17,330	20,070	22,400	11,298	11,102
Transfers out	-	12,070	(12,070)	-	-	-
TOTAL DISBURSEMENTS	37,400	29,400	8,000	22,400	11,298	11,102
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,150)	(10,779)	6,371	(6,817)	6,617	13,434
CASH AND INVESTMENT BALANCE, January 1	25,915	25,915	-	19,298	19,298	-
CASH AND INVESTMENT BALANCE, December 31	\$ 8,765	\$ 15,136	\$ 6,371	\$ 12,481	\$ 25,915	\$ 13,434

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>CONCEALED WEAPONS FUND</u>						
RECEIPTS						
Charges for services	\$ 15,000	\$ 10,560	\$ (4,440)	\$ 12,000	\$ 14,952	\$ 2,952
Interest	250	384	134	220	277	57
TOTAL RECEIPTS	15,250	10,944	(4,306)	12,220	15,229	3,009
DISBURSEMENTS						
Sheriff	8,100	6,127	1,973	4,750	3,589	1,161
TOTAL DISBURSEMENTS	8,100	6,127	1,973	4,750	3,589	1,161
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	7,150	4,817	(2,333)	7,470	11,640	4,170
CASH AND INVESTMENT BALANCE, January 1	33,344	33,344	-	22,064	21,704	(360)
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 40,494</u>	<u>\$ 38,161</u>	<u>\$ (2,333)</u>	<u>\$ 29,534</u>	<u>\$ 33,344</u>	<u>\$ 3,810</u>
<u>COUNTY RESTITUTION FUND</u>						
RECEIPTS						
Intergovernmental	\$ 23,000	\$ 21,087	\$ (1,913)	\$ 25,000	\$ 22,109	\$ (2,891)
Interest	200	125	(75)	120	192	72
Transfers in	-	-	-	-	5,100	5,100
TOTAL RECEIPTS	23,200	21,212	(1,988)	25,120	27,401	2,281
DISBURSEMENTS						
Other	30,000	26,616	3,384	36,000	27,931	8,069
TOTAL DISBURSEMENTS	30,000	26,616	3,384	36,000	27,931	8,069
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(6,800)	(5,404)	1,396	(10,880)	(530)	10,350
CASH AND INVESTMENT BALANCE, January 1	11,007	11,007	-	11,537	11,537	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 4,207</u>	<u>\$ 5,603</u>	<u>\$ 1,396</u>	<u>\$ 657</u>	<u>\$ 11,007</u>	<u>\$ 10,350</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>PA DELINQUENT TAX FUND</u>						
RECEIPTS						
Charges for services	\$ 9,000	\$ 2,021	\$ (6,979)	\$ 700	\$ 4,435	\$ 3,735
Interest	200	52	(148)	50	80	30
TOTAL RECEIPTS	9,200	2,073	(7,127)	750	4,515	3,765
DISBURSEMENTS						
Prosecuting Attorney	12,000	409	11,591	5,300	-	5,300
Transfers out	-	7,950	(7,950)	-	-	-
TOTAL DISBURSEMENTS	12,000	8,359	3,641	5,300	-	5,300
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(2,800)	(6,286)	(3,486)	(4,550)	4,515	9,065
CASH AND INVESTMENT						
BALANCE, January 1	9,129	9,129	-	4,614	4,614	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 6,329	\$ 2,843	\$ (3,486)	\$ 64	\$ 9,129	\$ 9,065
<u>ELECTION DEPRECIATION/ HAVA INCOME FUND</u>						
RECEIPTS						
Charges for services	\$ 3,200	\$ 3,600	\$ 400	\$ 3,600	\$ 3,200	\$ (400)
Intergovernmental	4,614	6,020	1,406	-	125	125
Interest	120	-	(120)	175	-	(175)
TOTAL RECEIPTS	7,934	9,620	1,686	3,775	3,325	(450)
DISBURSEMENTS						
Elections	19,875	7,475	12,400	13,900	550	13,350
TOTAL DISBURSEMENTS	19,875	7,475	12,400	13,900	550	13,350
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(11,941)	2,145	14,086	(10,125)	2,775	12,900
CASH AND INVESTMENT						
BALANCE, January 1	12,930	12,930	-	10,155	10,155	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 989	\$ 15,075	\$ 14,086	\$ 30	\$ 12,930	\$ 12,900

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 22,205	\$ 21,144	\$ (1,061)	\$ 21,000	\$ 20,645	\$ (355)
Interest	40	28	(12)	110	36	(74)
TOTAL RECEIPTS	22,245	21,172	(1,073)	21,110	20,681	(429)
DISBURSEMENTS						
Collector	13,038	15,057	(2,019)	10,110	10,222	(112)
Transfers out	9,800	6,000	3,800	10,800	10,800	-
TOTAL DISBURSEMENTS	22,838	21,057	1,781	20,910	21,022	(112)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(593)	115	708	200	(341)	(541)
CASH AND INVESTMENT BALANCE, January 1	1,167	1,167	-	1,107	1,508	401
CASH AND INVESTMENT BALANCE, December 31	\$ 574	\$ 1,282	\$ 708	\$ 1,307	\$ 1,167	\$ (140)
<u>SPECIAL ELECTION FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 68,202	\$ 68,202	\$ -	\$ 23,755	\$ 23,755
TOTAL RECEIPTS	-	68,202	68,202	-	23,755	23,755
DISBURSEMENTS						
Elections	-	25,832	(25,832)	-	23,755	(23,755)
TOTAL DISBURSEMENTS	-	25,832	(25,832)	-	23,755	(23,755)
RECEIPTS OVER DISBURSEMENTS	-	42,370	42,370	-	-	-
CASH AND INVESTMENT BALANCE, January 1	-	-	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	\$ -	\$ 42,370	\$ 42,370	\$ -	\$ -	\$ -

See accompanying notes.

WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>PA BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 14,800	\$ 15,186	\$ 386	\$ 18,150	\$ 14,882	\$ (3,268)
Interest	30	48	18	210	87	(123)
TOTAL RECEIPTS	14,830	15,234	404	18,360	14,969	(3,391)
DISBURSEMENTS						
Prosecuting Attorney	-	3,349	(3,349)	29,700	7,251	22,449
Transfers out	-	8,011	(8,011)	-	22,777	(22,777)
TOTAL DISBURSEMENTS	-	11,360	(11,360)	29,700	30,028	(328)
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,830	3,874	(10,956)	(11,340)	(15,059)	(3,719)
CASH AND INVESTMENT BALANCE, January 1	2,845	2,845	-	17,904	17,904	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 17,675</u>	<u>\$ 6,719</u>	<u>\$ (10,956)</u>	<u>\$ 6,564</u>	<u>\$ 2,845</u>	<u>\$ (3,719)</u>
<u>RECOVERY ACT GRANT FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 5	\$ 5	\$ -	\$ 5,260	\$ 5,260
TOTAL RECEIPTS	-	5	5	-	5,260	5,260
DISBURSEMENTS						
Grants	-	1,855	(1,855)	-	3,409	(3,409)
TOTAL DISBURSEMENTS	-	1,855	(1,855)	-	3,409	(3,409)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(1,850)	(1,850)	-	1,851	1,851
CASH AND INVESTMENT BALANCE, January 1	-	1,851	1,851	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,851</u>	<u>\$ 1,851</u>

See accompanying notes.



WRIGHT COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS –  
REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>COMMUNITY DEVELOPMENT</u>						
<u>BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 50,535	\$ 50,535	\$ -	\$ 293,685	\$ 293,685
TOTAL RECEIPTS	-	50,535	50,535	-	293,685	293,685
DISBURSEMENTS						
Grants	-	50,535	(50,535)	-	293,685	(293,685)
TOTAL DISBURSEMENTS	-	50,535	(50,535)	-	293,685	(293,685)
RECEIPTS OVER DISBURSEMENTS	-	-	-	-	-	-
CASH AND INVESTMENT BALANCE, January 1	-	-	-	-	-	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>DEVELOPMENTALLY DISABLED</u>						
<u>BOARD FUND</u>						
RECEIPTS						
Property taxes	\$ 130,000	\$ 119,356	\$ (10,644)	\$ 118,000	\$ 127,144	\$ 9,144
Intergovernmental	10,360	14,288	3,928	12,520	9,205	(3,315)
Interest	5,000	4,024	(976)	6,200	5,170	(1,030)
Other	20,400	20,400	-	20,400	20,400	-
TOTAL RECEIPTS	165,760	158,068	(7,692)	157,120	161,919	4,799
DISBURSEMENTS						
SB40 Board	94,755	84,989	9,766	94,205	83,697	10,508
TOTAL DISBURSEMENTS	94,755	84,989	9,766	94,205	83,697	10,508
RECEIPTS OVER DISBURSEMENTS	71,005	73,079	2,074	62,915	78,222	15,307
CASH AND INVESTMENT BALANCE, January 1	423,523	424,067	544	345,845	345,845	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 494,528</u>	<u>\$ 497,146</u>	<u>\$ 2,618</u>	<u>\$ 408,760</u>	<u>\$ 424,067</u>	<u>\$ 15,307</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2011

	Collector of Revenue Fund	School Fund	Collector's Surtax Fund	Collector's Protested Tax Fund	Recorder User Fee Fund	Prosecuting Attorney's Bad Check Fund	Prosecuting Attorney's Restitution Fund	Overplus Fund
ASSETS								
Cash	\$ 4,413,457	\$ 87,864	\$ 39,173	\$ 226,427	\$ 9,149	\$ 38,591	\$ 5,087	\$ 12,470
TOTAL ASSETS	<u>\$ 4,413,457</u>	<u>\$ 87,864</u>	<u>\$ 39,173</u>	<u>\$ 226,427</u>	<u>\$ 9,149</u>	<u>\$ 38,591</u>	<u>\$ 5,087</u>	<u>\$ 12,470</u>
LIABILITIES								
Due to other funds	\$ 264,145	\$ -	\$ 4,701	\$ -	\$ 7,492	\$ 1,777	\$ -	\$ -
Due to other governments	4,149,312	87,864	34,472	-	1,657	244	-	12,470
Due to others	-	-	-	226,427	-	36,570	5,087	-
TOTAL LIABILITIES	<u>\$ 4,413,457</u>	<u>\$ 87,864</u>	<u>\$ 39,173</u>	<u>\$ 226,427</u>	<u>\$ 9,149</u>	<u>\$ 38,591</u>	<u>\$ 5,087</u>	<u>\$ 12,470</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

(CONTINUED)

December 31, 2011

	Sheriff's Office Civil Fee Fund	Sheriff's Office Criminal Fee Fund	Landfill IDA Fund	CERF Fund	Employee Withholding Fund	Unclaimed Fees Fund	Total
ASSETS							
Cash	\$ 6,823	\$ 4,200	\$ 3	\$ 1,890	\$ 37	\$ 193	\$ 4,845,364
TOTAL ASSETS	<u>\$ 6,823</u>	<u>\$ 4,200</u>	<u>\$ 3</u>	<u>\$ 1,890</u>	<u>\$ 37</u>	<u>\$ 193</u>	<u>\$ 4,845,364</u>
LIABILITIES							
Due to other funds	\$ 6,238	\$ 4,200	\$ -	\$ -	\$ -	\$ -	\$ 288,553
Due to other governments	-	-	3	1,890	37	-	4,287,949
Due to others	585	-	-	-	-	193	268,862
TOTAL LIABILITIES	<u>\$ 6,823</u>	<u>\$ 4,200</u>	<u>\$ 3</u>	<u>\$ 1,890</u>	<u>\$ 37</u>	<u>\$ 193</u>	<u>\$ 4,845,364</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2010

	Collector of Revenue Fund	School Fund	Collector's Surtax Fund	Collector's Protested Tax Fund	Recorder User Fee Fund	Prosecuting Attorney's Bad Check Fund	Prosecuting Attorney's Restitution Fund	Overplus Fund
ASSETS								
Cash	\$ 4,262,205	\$ 40,863	\$ 41,672	\$ 94	\$ 9,636	\$ 39,053	\$ 5,087	\$ 14,394
TOTAL ASSETS	<u>\$ 4,262,205</u>	<u>\$ 40,863</u>	<u>\$ 41,672</u>	<u>\$ 94</u>	<u>\$ 9,636</u>	<u>\$ 39,053</u>	<u>\$ 5,087</u>	<u>\$ 14,394</u>
LIABILITIES								
Due to other funds	\$ 251,706	\$ -	\$ 5,001	\$ -	\$ 7,878	\$ 600	\$ -	\$ -
Due to other governments	4,010,499	40,863	36,671	-	1,758	90	-	14,394
Due to others	-	-	-	94	-	38,363	5,087	-
TOTAL LIABILITIES	<u>\$ 4,262,205</u>	<u>\$ 40,863</u>	<u>\$ 41,672</u>	<u>\$ 94</u>	<u>\$ 9,636</u>	<u>\$ 39,053</u>	<u>\$ 5,087</u>	<u>\$ 14,394</u>

See accompanying notes.

WRIGHT COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

(CONTINUED)

December 31, 2010

	Sheriff's Office Civil Fee Fund	Sheriff's Office Criminal Fee Fund	Landfill IDA Fund	CERF Fund	Employee Withholding Fund	Total
ASSETS						
Cash	\$ 7,741	\$ 2,852	\$ 11	\$ 1,760	\$ 29	\$ 4,425,397
TOTAL ASSETS	<u>\$ 7,741</u>	<u>\$ 2,852</u>	<u>\$ 11</u>	<u>\$ 1,760</u>	<u>\$ 29</u>	<u>\$ 4,425,397</u>
LIABILITIES						
Due to other funds	\$ 7,426	\$ 2,852	\$ -	\$ -	\$ -	\$ 275,463
Due to other governments	-	-	11	1,760	29	4,106,075
Due to others	315	-	-	-	-	43,859
TOTAL LIABILITIES	<u>\$ 7,741</u>	<u>\$ 2,852</u>	<u>\$ 11</u>	<u>\$ 1,760</u>	<u>\$ 29</u>	<u>\$ 4,425,397</u>

See accompanying notes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wright County, Missouri, (“County”) is governed by a three-member board of commissioners. In addition to the three Commissioners, there are ten elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer.

As discussed further in Note A, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

### Reporting Entity

The County’s operations include tax assessments and collections, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Wright County, Missouri, which consists of all funds, organizations, agencies, departments, and offices that comprise the County’s legal entity.

### Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri law, which include a Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following funds are used by the County:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

Fiduciary Funds – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared on the regulatory basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measureable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50, RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Budgets are prepared and adopted on the regulatory basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following funds:
  - a. Recovery Act Grant Fund
  - b. Community Development Block Grant Fund
  - c. Special Election Fund
10. Section 50.740 RSMo, prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for several funds of the County.

Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investment applicable to a particular fund is readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

NOTE B – CASH AND INVESTMENTS

The County maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Cash and cash equivalents". In addition, cash and investments are separately held by the Wright County Developmentally Disabled Board. Investments of the County consist of certificates of deposit with local banking institutions. State statutes require that County deposits be fully collateralized in the name of the County. As of December 31, 2011 and 2010, all bank balances and certificates of deposit are entirely insured or collateralized with securities.

The County's investments at December 31, 2010, are as follows:

Investment Type	Maturity	Amount
Certificate of Deposit	3/4/2011	\$ 83,818
Certificate of Deposit	6/2/2011	83,500
		<u>\$ 167,318</u>



WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE B – CASH AND INVESTMENTS (continued)

The County's investments at December 31, 2011, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificate of Deposit	3/4/2012	\$ 84,647
Certificate of Deposit	6/2/2012	84,077
		<u>\$ 168,724</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the County's deposits be collateralized in the name of the County by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2011 and 2010, all certificates are entirely insured or collateralized with securities.

The County does not have a policy on interest rate risk.

NOTE C – CLAIMS, JUDGMENTS AND CONTINGENCIES

Federal and State Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2011 and 2010, significant amounts of grant disbursements have not been audited by grantor governments, but the County believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE D – PENSION PLAN – CERF

*STATE OF MISSOURI COUNTY EMPLOYEES' RETIREMENT FUND*

Plan Description

Wright County participates in the County Employees' Retirement Fund (CERF), a cost-sharing multiple-employer pension plan. CERF is a defined benefit pension plan which provides retirement and death benefits to plan members and beneficiaries. CERF was created and is governed by state statute, RSMo. 50.1000 to 50.1300. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The County Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CERF Plan Administrator, 2121 Schotthill Woods Drive, Jefferson City, MO 65101.

Funding Policy

Wright County's full-time employees hired before February 25, 2002, are required by state statute to contribute 0% of annual payroll to the pension plan. Wright County's full-time employees hired after February 25, 2002, are required by state statute to contribute 4% of annual covered payroll to the pension plan. The County is required by state statute to remit the fees collected under RSMo. Sections 52.290, 150.150, 137.280, 137.345 and Chapters 59 and 54, RSMo, plus interest. The required contributions have been made.

NOTE E – PENSION PLAN – LAGERS

Plan Description

Wright County also participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE E – PENSION PLAN – LAGERS (continued)

LAGERS was created and is governed by statute section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of Wright County do not contribute to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 14.3% (General) and 12.1% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 212,937
Interest on net pension obligation	425
Adjustment to annual required contribution	(306)
Annual pension cost	213,056
Actual contributions	207,188
Increase (decrease) in NPO	5,868
NPO beginning of year	5,668
NPO end of year	\$ 11,536

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE E – PENSION PLAN – LAGERS (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2009, and February 28, 2010, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009, was 30 years for the General division and 30 years for the Police division. The amortization period at February 28, 2010, was 30 years for the General division and 30 years for the Police division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 179,501	100.0%	\$ -
2010	195,461	97.1%	5,668
2011	213,056	97.2%	11,536

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 2,607,183	\$ 3,536,585	\$ 929,402	74%	\$ 1,490,972	62%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE F – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31.

The 2011 and 2010 assessed valuation of the tangible taxable property (excluding railroad and utilities) and the tax levies per \$100 assessed valuation of that property were as follows:

	2011	2010
ASSESSED VALUATION		
Real estate	\$ 114,138,970	\$ 113,603,670
Personal property	37,058,211	34,866,280
	<u>\$ 151,197,181</u>	<u>\$ 148,469,950</u>
TAX LEVY		
General Revenue	\$ .0860	\$ .0828
Developmentally Disabled	.0798	.0806
	<u>\$ .1658</u>	<u>\$ .1634</u>

The legal debt margin at December 31, 2011 and December 31, 2010, is computed as follows:

	2011	2010
Constitutional debt limit	\$ 15,119,718	\$ 14,846,995
General obligation bonds payable	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 15,119,718</u>	<u>\$ 14,846,995</u>

Under Article VI, Section 26(b) and (c), Missouri Constitution, the County, by a vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized by law of the County or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the County.

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE G – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE H – INTERFUND TRANSFERS

Interfund transfers for the years ended December 31, 2011 and 2010, consisted of the following:

	Transfers In (Out)	
	2011	2010
General Revenue Fund	\$ 50,621	\$ 57,005
Special Road and Bridge Fund	(70,660)	(65,495)
Assessment Fund	42,070	30,000
Sheriff Fee Fund	12,000	12,000
Prosecuting Attorney Training Fund	-	500
Recorder User Fee Fund	-	(5,533)
Assessor Technology Fund	(12,070)	-
Restitution Fund	-	5,100
PA Delinquent Tax Fund	(7,950)	-
Tax Maintenance Fund	(6,000)	(10,800)
PA Bad Check Fund	(8,011)	(22,777)
	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Revenue Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE I – LONG-TERM DEBT

In August 2007, the County entered into a cancelable lease purchase agreement to finance the purchase of a motor grader in the amount of \$106,065. The agreement requires annual payments of \$37,218 including interest at 4.85%. This lease was paid off in 2010.

In March 2008, the County entered into a cancelable lease purchase agreement to finance the purchase of a motor grader in the amount of \$148,747. The agreement requires annual payments of \$16,766 including interest at 4.25% through March 2014 and one payment of \$51,826 in April 2014.

In April 2011, the County entered into a loan agreement with the Missouri Department of Natural Resources (DNR) in the amount of \$55,994 to finance various energy saving projects. The loan bears interest of 0% and will be repaid with semi-annual payments of \$3,827 through August 1, 2018.

Although the agreements provide for cancellation if the County should fail to appropriate funds at the annual renewal dates, the County does not foresee exercising its options to cancel.

The annual requirements to amortize the principal are as follows:

Year Ended December 31,	Motor Grader Lease	DNR Energy Loan	Total Lease Payments
2012	\$ 16,766	\$ 3,826	\$ 20,592
2013	16,766	7,653	24,419
2014	16,766	7,653	24,419
2015	51,826	7,653	59,479
2016	-	7,653	7,653
2017	-	7,653	7,653
2018	-	6,250	6,250
	102,124	48,341	150,465
Portion Representing Interest	(18,932)	-	(18,932)
Minimum Future Lease/Loan Payments	<u>\$ 83,192</u>	<u>\$ 48,341</u>	<u>\$ 131,533</u>

WRIGHT COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE I – LONG-TERM DEBT (continued)

The following is the changes in long-term debt for the years ended December 31, 2011 and 2010:

	Balance December 31, 2009			Balance December 31, 2010			Balance December 31, 2011		
		Additions	Retirements		Additions	Retirements			
Capital Lease Obligations									
2008 John Deere Lease	\$ 138,427	\$ -	\$ 10,767	\$ 127,660	\$ -	\$ 44,468	\$ 83,192		
2007 Caterpillar Lease	33,708	-	33,708	-	-	-	-		
DNR Energy Loan	-	-	-	-	55,994	7,653	48,341		
	<u>\$ 172,135</u>	<u>\$ -</u>	<u>\$ 44,475</u>	<u>\$ 127,660</u>	<u>\$ 55,994</u>	<u>\$ 52,121</u>	<u>\$ 131,533</u>		

NOTE J – COMPENSATED ABSENCES PAYABLE

Compensated absences payable consists of one half of the unused sick time and unused accumulated comp time up to 240 hours for employees. The balance at December 31, 2010 and 2011, totaled \$45,753 and \$42,797, respectively.



## **SUPPLEMENTARY SCHEDULES**



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

www.dlmcpa.com  
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

County Commission  
Wright County  
Hartville, Missouri

We have audited the financial statements of Wright County, Missouri as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 14, 2012. Our opinion was modified because the County prepares its financial statements using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Wright County, Missouri, is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit of the financial statements of Wright County, Missouri, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 11-1 and 11-2 described in the accompanying schedule of findings and responses to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Wright County, Missouri, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Wright County, Missouri, in a separate letter dated June 14, 2012.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Commission and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Lynn; Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
June 14, 2012

WRIGHT COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
Years ended December 31, 2011 and 2010

**Financial Statement Findings**

**11-1 Segregation of Duties**

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel prohibits segregation of incompatible duties.

**11-2 Wire Transfers**

*Condition:* The depository agreements with the County banking institutions do not address by whom and to whom a wire transfer may be made. They also do not include special instructions for wire transfers.

*Criteria:* The County should have written and signed instructions with banking institutions requiring the approval of two authorized individuals before a wire transfer is made and by whom and to whom a wire transfer may be made.

*Effect:* Risk is present that unauthorized wire transfers may be made.

*Recommendation:* The County should include in future depository agreements with its banking institutions, who is authorized to make wire transfers for the County, to whom wire transfers are allowed, and require two authorized signatures for approval.

*Response:* The County will update its depository agreements with its banking institutions to include who is authorized to make wire transfers for the County, to whom wire transfers are allowed, and require two authorized signatures for approval.



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

www.dlmcpa.com  
e-mail: cpa@dlmcpa.com

Wright County Commission  
Wright County  
Hartville, Missouri

In planning and performing our audit of the basic financial statements of Wright County, Missouri for the years ended December 31, 2011 and 2010, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Budgetary Compliance

The County was not in compliance with the budgetary statute, Chapter 50, RSMo, in 2010 and 2011 as the County did not adopt budgets for the Special Election, Recovery Act Grant, and Community Development Block Grant funds. Actual disbursements exceeded budgeted disbursements in 2010 in the Assessment, Recorder Technology, Tax Maintenance, and PA Bad Check Funds. In 2011, actual disbursements exceeded budgeted disbursements in the PA Bad Check Fund.

We Recommend:

The County adopt a budget for all funds, review expenditures during the year and amend the budget as necessary to include necessary transfer amounts to ensure compliance with the budgetary statute (Chapter 50, RSMo)

2. Bank Depository Agreements

As a custodian of public monies, we believe the County should review certain elements of depository agreements with the County's banking institutions to ensure proper controls are in place regarding the deposits and bank wires. The County has a responsibility for the safety of County monies and the depository agreements are often not reviewed and updated appropriately.

We Recommend:

- a. The County determine that the depository agreement with the banking institution has instructions regarding when a check is valid and may be honored by the institution. If more than one signature is required on checks, then the depository agreement should reflect that requirement.
- b. The County determine that the depository agreement specify the persons authorized to make wire transfers and to whom they may be made. This is necessary to prevent unauthorized wire transfers of County funds.
- c. The County determine that the depository agreement has procedures for opening new accounts in order to prevent unauthorized accounts from being opened under the County's name.

3. Disbursement Procedures

Currently the County does not require two signatures on checks from some of the County's Bank accounts. Coupled with the lack of segregation of duties, this creates an environment in which County assets could be misappropriated and the misappropriation would not be discovered in a timely manner.

We Recommend:

The County institute a policy requiring two signatures on all checks for all County disbursements.

4. Bank Statement Review

Currently, the Treasurer has access to all phases of certain transactions and prepares the bank reconciliations for the County's main checking account.

We Recommend:

The County appoint someone other than the Treasurer to review the bank statements and bank reconciliations on a monthly basis.

5. Bank Reconciliations

Bank reconciliations were not performed within a reasonable amount of time after the end of the period in the Collector and Prosecuting Attorney Offices.

We Recommend:

The Collector and Prosecuting Attorney Offices perform bank reconciliations within a reasonable amount of time after the end of each month. Performing monthly bank reconciliations in a timely manner is necessary to ensure accounting records and bank activity are in agreement. Timely reconciliations will also help to detect and correct errors in a timely manner and will help prevent improper disbursements.

6. Prosecuting Attorney's Bad Check Account

At December 31, 2011, the Prosecuting Attorney's bad check bank account has approximately \$30,000 in unidentified funds. An open items list could not be produced.

We Recommend:

Records be traced back to collection and pay-out and an open items list be generated. An open items list should be maintained on an ongoing basis to ensure proper collection and disbursements of funds. Also, the open items list should be an integral part of the bank reconciliation process each month to ensure all funds are identified.

7. Collector's Office Passwords

During the current audit, it was brought to our attention that the Collector and the Deputy Collector each have their own passwords to the Collector's tax software, however, the Collector and the Deputy Collector have each other's passwords as well.

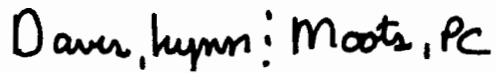
We Recommend:

Passwords not be shared with others and that passwords are changed often. This will help ensure integrity of transactions since there are only two individuals who do all phases of cash collections, recording, and depositing of money on a daily basis.

Wright County Commission  
Wright County  
Hartville, Missouri  
Page Four

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as Wright County's independent auditor and the courtesies and assistance extended to us by the County's employees.

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.  
June 14, 2012





DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

[www.dlmcpa.com](http://www.dlmcpa.com)  
e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

County Commission  
Wright County  
Hartville, Missouri

We have audited the basic financial statements of Wright County, Missouri for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 14, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 9, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 9, 2012.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Primary Government of Wright County, Missouri are described in Note A to the financial statements. The County converted from the modified cash basis of accounting to the regulatory basis of accounting during the years ended December 31, 2011 and 2010.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any misstatements during the audit

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 14, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

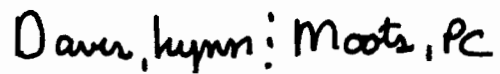
*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Wright County Commission  
Wright County  
Hartville, Missouri  
Page Three

This report is intended solely for the use of the County Commission and management of the Primary Government of Wright County, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.  
June 14, 2012



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Wayne County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Wayne County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

August 2012  
Report No. 2012-92

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2011 & 2010

**THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
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## **FINANCIAL SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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INDEPENDENT AUDITOR'S REPORT

To the County Commission  
The County of Wayne, Missouri

We have audited the accompanying financial statements of the County of Wayne, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During the course of our audit, we noted there were inadequate controls over the collection and deposits of fees collected in the Recorder's office during 2010. Upon further testing of this office's deposits, we noted reimbursements to this office's accounts. We were unable to determine the amount that was under deposited in total for this office. Accordingly, it was not practicable for us to extend our procedures sufficiently to determine that all of the receipt records are recorded in the financial statements referred to above.

As described more fully in Note I, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County of Wayne, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.



In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the receipts of the Recorder's office, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of the County of Wayne, Missouri, as of and for the years ended December 31, 2011 and 2010, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note I.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is not fairly stated in all material respects in relation to the financial statements as a whole due to the Schools and Roads – Grants to States program not being auditable.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2012

## **FINANCIAL STATEMENTS**

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
STATEMENT OF RECEIPT, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES -  
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2011

FUND	CASH AND INVESTMENT BALANCES	RECEIPTS	DISBURSEMENTS	CASH AND INVESTMENT BALANCES
	JANUARY 1, 2011	2011	2011	DECEMBER 31, 2011
General Revenue	\$ 4,135.87	\$ 1,882,023.21	\$ 1,878,611.08	\$ 7,548.00
Special Road & Bridge	71,926.27	2,010,077.28	1,860,486.02	221,517.53
Assessment	17,735.05	154,215.47	146,807.64	25,142.88
Prosecuting Attorney Training Fund	2,241.50	888.87	840.99	2,289.38
Law Enforcement Training Fund	550.48	4,715.89	4,370.70	895.67
Domestic Violence/Special Trust Fund	-	747.47	-	747.47
Delinquent Tax Fund	1,657.01	-	-	1,657.01
Financial Institution Tax Fund	484.90	115.39	485.78	114.51
Unclaimed Fees Fund	158.98	439.93	182.06	416.85
Landfill Fund	11,351.82	200.23	-	11,552.05
Law Enforcement Restitution Fund	2,069.42	53,405.89	53,659.16	1,816.15
Recorder Users Fund	1,519.01	33,743.38	26,098.97	9,163.42
Sheriff's Civil Fund	719.63	18,615.27	19,226.85	108.05
Sheriff's Revolving Fund	865.51	10,191.27	10,911.02	145.76
Special Check Fund	3,094.63	12,978.17	4,266.86	11,805.94
Special Law Enforcement Fund	25,262.82	118,628.86	101,797.32	42,094.36
Sheriff's Agency Fund	718.84	9,623.46	10,145.93	196.37
Law Library Fund	2,074.15	7,236.97	6,725.82	2,585.30
Election Services Fund	4,247.90	7,790.30	5,046.95	6,991.25
Tax Maintenance Fund	1,404.11	17,176.77	12,765.41	5,815.47
Senate Bill 40	125,912.11	102,331.00	64,373.91	163,869.20
TOTAL	<u>\$ 278,130.01</u>	<u>\$ 4,445,145.08</u>	<u>\$ 4,206,802.47</u>	<u>\$ 516,472.62</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCES -  
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2010

FUND	CASH AND INVESTMENT BALANCES JANUARY 1, 2010	RECEIPTS 2010	DISBURSEMENTS 2010	CASH AND INVESTMENT BALANCES DECEMBER 31, 2010
General Revenue	\$ 35,146.01	\$ 1,917,401.25	\$ 1,948,411.39	\$ 4,135.87
Special Road & Bridge	95,310.86	1,941,265.80	1,964,650.39	71,926.27
Assessment	21,768.38	150,961.92	154,995.25	17,735.05
Prosecuting Attorney Training Fund	1,516.73	724.77	-	2,241.50
Law Enforcement Training Fund	424.34	4,126.95	4,000.81	550.48
Domestic Violence/Special Trust Fund	696.00	796.99	1,492.99	-
Delinquent Tax Fund	1,657.01	-	-	1,657.01
Financial Institution Tax Fund	6,139.30	520.87	6,175.27	484.90
Unclaimed Fees Fund	418.43	223.53	482.98	158.98
Landfill Fund	11,148.55	203.27	-	11,351.82
Law Enforcement Restitution Fund	169.14	46,697.60	44,797.32	2,069.42
Recorder Users Fund	12,221.87	13,159.30	23,862.16	1,519.01
Sheriff's Civil Fund	925.07	11,085.72	11,291.16	719.63
Sheriff's Revolving Fund	4,784.81	8,031.65	11,950.95	865.51
Special Check Fund	24,633.24	21,808.09	43,346.70	3,094.63
Special Law Enforcement Fund	19,942.98	62,344.08	57,024.24	25,262.82
Sheriff's Agency Fund	3,764.58	5,801.73	8,847.47	718.84
Law Library Fund	2,283.89	6,993.36	7,203.10	2,074.15
Election Services Fund	6,294.43	4,312.34	6,358.87	4,247.90
Tax Maintenance Fund	1,977.30	16,909.03	17,482.22	1,404.11
Senate Bill 40	101,047.96	88,023.09	63,158.94	125,912.11
TOTAL	<u>\$ 352,270.88</u>	<u>\$ 4,301,391.34</u>	<u>\$ 4,375,532.21</u>	<u>\$ 278,130.01</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	GENERAL REVENUE FUND			
	2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 205,000.00	\$ 198,978.81	\$ 202,000.00	\$ 253,264.77
Sales Taxes	455,000.00	453,699.40	450,000.00	454,229.06
Intergovernmental	554,869.61	445,010.10	620,881.19	470,108.91
Charges for Services	225,676.00	221,922.80	197,950.00	202,446.78
Interest	700.00	437.78	1,000.00	805.85
Other	368,360.00	426,708.63	287,214.80	383,739.97
Transfers In	260,419.52	135,265.69	351,594.57	152,805.91
TOTAL RECEIPTS	2,070,025.13	1,882,023.21	2,110,640.56	1,917,401.25
DISBURSEMENTS				
County Commission	80,281.64	80,041.87	80,986.64	78,816.92
County Clerk	64,184.56	63,820.04	64,884.24	64,273.38
Elections	45,474.00	38,280.15	134,831.40	121,917.58
Buildings and Grounds	52,115.68	51,064.84	53,495.16	47,686.75
Employee Fringe Benefits	282,802.94	278,834.67	305,700.00	279,410.81
County Treasurer	40,047.40	40,027.61	41,347.40	39,983.78
Collector	80,326.17	78,847.33	86,787.54	81,955.79
Recorder of Deeds	54,097.00	51,794.99	49,132.40	45,867.17
Circuit Clerk	19,602.00	12,737.59	24,200.00	23,371.23
Associate Circuit Court	1,000.00	-	1,000.00	983.78
Court Administration	5,150.00	2,730.57	5,150.00	3,032.21
Public Administrator	26,560.00	25,989.62	26,560.00	26,553.67
Sheriff	323,043.72	324,145.47	295,371.96	288,177.00
Jail	281,259.60	270,827.13	296,353.21	283,865.45
Prosecuting Attorney	59,244.72	59,211.77	103,107.14	98,113.35
Juvenile Officer	41,507.95	41,507.95	43,988.04	43,988.04
Coroner	20,867.52	20,319.16	18,952.52	17,064.78
Health and Welfare	47,008.50	43,498.00	47,008.50	42,263.00
Debt Service	-	-	-	-
Transfers Out	39,000.00	39,000.00	121,028.61	59,454.67
Emergency Fund	-	-	-	-
Other	462,127.08	355,932.32	339,350.78	301,632.03
TOTAL DISBURSEMENTS	2,025,700.48	1,878,611.08	2,139,235.54	1,948,411.39
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	44,324.65	3,412.13	(28,594.98)	(31,010.14)
CASH AND INVESTMENT				
BALANCES, JANUARY 1	4,135.87	4,135.87	35,146.01	35,146.01
CASH AND INVESTMENT				
BALANCES, DECEMBER 31	\$ 48,460.52	\$ 7,548.00	\$ 6,551.03	\$ 4,135.87

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

SPECIAL ROAD & BRIDGE FUND				
	2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 132,000.00	\$ 138,496.23	\$ 140,610.69	\$ 122,112.57
Sales Taxes	455,000.00	453,702.94	450,000.00	454,224.79
Intergovernmental	1,517,896.81	1,239,142.23	1,323,367.23	1,160,928.73
Charges for Services	-	-	-	-
Interest	100.00	115.89	1,700.00	91.52
Other	132,800.00	145,619.99	145,123.94	163,908.19
Transfers In	33,000.00	33,000.00	-	40,000.00
TOTAL RECEIPTS	2,270,796.81	2,010,077.28	2,060,801.86	1,941,265.80
DISBURSEMENTS				
Salaries	415,000.00	411,721.78	426,000.00	414,827.80
Employee Fringe Benefits	127,100.00	119,998.75	132,200.00	118,362.88
Supplies	445,700.00	376,796.45	429,971.58	287,913.46
Insurance	38,600.00	39,737.12	45,000.00	35,881.00
R & B Materials	148,402.84	304,188.15	214,630.04	220,956.22
Equipment Repairs	50,000.00	23,945.50	-	-
Equipment Purchases	-	-	50,000.00	47,924.64
R & B Construction	465,909.09	213,816.88	674,648.90	635,384.17
Other	92,478.87	266,511.15	78,662.20	78,662.20
Transfers Out	280,432.28	103,770.24	105,000.00	124,738.02
TOTAL DISBURSEMENTS	2,063,623.08	1,860,486.02	2,156,112.72	1,964,650.39
RECEIPTS OVER (UNDER) DISBURSEMENTS	207,173.73	149,591.26	(95,310.86)	(23,384.59)
CASH AND INVESTMENT BALANCES, JANUARY 1	71,926.27	71,926.27	95,310.86	95,310.86
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 279,100.00	\$ 221,517.53	\$ -	\$ 71,926.27

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	ASSESSMENT FUND				PROSECUTING ATTORNEY TRAINING FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 135,336.00	\$145,305.59	\$ 153,290.67	\$126,175.11	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	2,640.00	2,909.88	3,050.00	5,332.14	900.00	888.87	1,000.00	724.77
Transfers In	-	6,000.00	-	19,454.67	-	-	-	-
TOTAL RECEIPTS	137,976.00	154,215.47	156,340.67	150,961.92	900.00	888.87	1,000.00	724.77
DISBURSEMENTS								
Salaries	98,552.36	97,244.82	112,607.48	106,907.29	-	-	-	-
Office Expenses	11,350.00	10,073.66	13,350.00	10,035.95	-	-	-	-
Equipment	11,575.00	6,924.16	10,900.00	7,864.00	-	-	-	-
Fringe Benefits	19,650.00	19,854.39	27,000.00	23,103.14	-	-	-	-
Other	9,210.00	12,710.61	10,050.00	7,084.87	-	-	-	-
Tuition	-	-	-	-	2,900.00	840.99	2,516.73	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	150,337.36	146,807.64	173,907.48	154,995.25	2,900.00	840.99	2,516.73	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,361.36)	7,407.83	(17,566.81)	(4,033.33)	(2,000.00)	47.88	(1,516.73)	724.77
CASH AND INVESTMENT BALANCES, JANUARY 1	17,735.05	17,735.05	21,768.38	21,768.38	2,241.50	2,241.50	1,516.73	1,516.73
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 5,373.69	\$ 25,142.88	\$ 4,201.57	\$ 17,735.05	\$ 241.50	\$ 2,289.38	\$ -	\$ 2,241.50

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	LAW ENFORCEMENT TRAINING FUND				DOMESTIC VIOLENCE/SPECIAL TRUST FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,000.00	\$ 747.47	\$ 800.00	\$ 796.99
Charges for Services	-	-	-	-	-	-	-	-
Interest	2.00	-	-	1.19	-	-	-	-
Other	4,350.00	4,715.89	4,664.00	4,125.76	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	4,352.00	4,715.89	4,664.00	4,126.95	1,000.00	747.47	800.00	796.99
DISBURSEMENTS								
Mileage/Training	4,900.00	4,370.70	5,000.00	4,000.81	-	-	-	-
Other	-	-	-	-	-	-	1,496.00	1,492.99
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	4,900.00	4,370.70	5,000.00	4,000.81	-	-	1,496.00	1,492.99
RECEIPTS OVER (UNDER) DISBURSEMENTS	(548.00)	345.19	(336.00)	126.14	1,000.00	747.47	(696.00)	(696.00)
CASH AND INVESTMENT BALANCES, JANUARY 1	550.48	550.48	424.34	424.34	-	-	696.00	696.00
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 2.48	\$ 895.67	\$ 88.34	\$ 550.48	\$ 1,000.00	\$ 747.47	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of this statement.



THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	DELINQUENT TAX FUND				FINANCIAL INSTITUTION TAX FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Service	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	1,000.00	-	700.00	-	5,000.00	115.39	10,000.00	520.87
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	1,000.00	-	700.00	-	5,000.00	115.39	10,000.00	520.87
DISBURSEMENTS								
Other	2,657.01	-	2,357.01	-	600.00	485.78	7,000.00	6,175.27
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	2,657.01	-	2,357.01	-	600.00	485.78	7,000.00	6,175.27
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,657.01)	-	(1,657.01)	-	4,400.00	(370.39)	3,000.00	(5,654.40)
CASH AND INVESTMENT BALANCES, JANUARY 1	1,657.01	1,657.01	1,657.01	1,657.01	484.90	484.90	6,139.30	6,139.30
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ 1,657.01</u>	<u>\$ -</u>	<u>\$ 1,657.01</u>	<u>\$ 4,884.90</u>	<u>\$ 114.51</u>	<u>\$ 9,139.30</u>	<u>\$ 484.90</u>

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THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	UNCLAIMED FEES FUND				LANDFILL FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Interest	\$ -	\$ -	\$ -	\$ -	\$ 300.00	\$ 200.23	\$ 400.00	\$ 203.27
Other	1,000.00	439.93	1,000.00	223.53	-	-	-	-
Charges for Service	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	1,000.00	439.93	1,000.00	223.53	300.00	200.23	400.00	203.27
DISBURSEMENTS								
Other	1,158.98	182.06	1,418.43	482.98	-	-	-	-
TOTAL DISBURSEMENTS	1,158.98	182.06	1,418.43	482.98	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(158.98)	257.87	(418.43)	(259.45)	300.00	200.23	400.00	203.27
CASH AND INVESTMENT BALANCES, JANUARY 1	158.98	158.98	418.43	418.43	11,351.82	11,351.82	11,148.55	11,148.55
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ -	\$ 416.85	\$ -	\$ 158.98	\$ 11,651.82	\$ 11,552.05	\$ 11,548.55	\$ 11,351.82

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THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	LAW ENFORCEMENT RESTITUTION FUND				RECORDERS USERS FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 53,990.00	\$ 53,404.31	\$ 49,990.86	\$ 46,694.09	\$ -	\$ -	\$ -	\$ -
Charges For Services	-	-	-	-	8,900.00	9,556.25	8,800.00	7,748.26
Interest	10.00	1.58	9.14	3.51	15.00	12.13	70.00	11.04
Other	-	-	-	-	26,085.00	24,175.00	5,400.00	5,400.00
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	54,000.00	53,405.89	50,000.00	46,697.60	35,000.00	33,743.38	14,270.00	13,159.30
DISBURSEMENTS								
Supplies and Equipment	-	-	-	-	13,073.66	12,404.97	11,400.00	11,340.96
Other	36,000.00	35,857.71	50,169.14	29,250.63	4,240.00	-	-	-
Transfers Out	20,000.00	17,801.45	-	15,546.69	9,686.34	13,694.00	12,600.00	12,521.20
TOTAL DISBURSEMENTS	56,000.00	53,659.16	50,169.14	44,797.32	27,000.00	26,098.97	24,000.00	23,862.16
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	(2,000.00)	(253.27)	(169.14)	1,900.28	8,000.00	7,644.41	(9,730.00)	(10,702.86)
CASH AND INVESTMENT								
BALANCES, JANUARY 1	2,069.42	2,069.42	169.14	169.14	1,519.01	1,519.01	12,221.87	12,221.87
CASH AND INVESTMENT								
BALANCES, DECEMBER 31	\$ 69.42	\$ 1,816.15	\$ -	\$ 2,069.42	\$ 9,519.01	\$ 9,163.42	\$ 2,491.87	\$ 1,519.01

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THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	SHERIFF'S CIVIL FUND				SHERIFF'S REVOLVING FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2.00	1.67	-	1.29	8.00	3.02	-	7.65
Charges for Services	-	-	-	-	-	-	-	-
Other	19,200.00	18,613.60	17,000.00	11,084.43	10,183.25	10,188.25	8,100.00	8,024.00
TOTAL RECEIPTS	19,202.00	18,615.27	17,000.00	11,085.72	10,191.25	10,191.27	8,100.00	8,031.65
DISBURSEMENTS								
Supplies	-	-	-	-	-	425.02	-	-
Other	19,921.63	19,226.85	17,500.00	11,291.16	10,911.02	10,486.00	12,000.00	11,950.95
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	19,921.63	19,226.85	17,500.00	11,291.16	10,911.02	10,911.02	12,000.00	11,950.95
RECEIPTS OVER (UNDER) DISBURSEMENTS	(719.63)	(611.58)	(500.00)	(205.44)	(719.77)	(719.75)	(3,900.00)	(3,919.30)
CASH AND INVESTMENT BALANCES, JANUARY 1	719.63	719.63	925.07	925.07	865.51	865.51	4,784.81	4,784.81
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ -	\$ 108.05	\$ 425.07	\$ 719.63	\$ 145.74	\$ 145.76	\$ 884.81	\$ 865.51

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THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	SPECIAL CHECK FUND				SPECIAL LAW ENFORCEMENT FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 14,900.00	\$ 12,967.86	\$ 22,000.00	\$ 21,783.90	\$ -	\$ -	\$ -	\$ -
Charges For Service	-	-	-	-	-	-	-	-
Interest	100.00	10.31	-	24.19	-	36.26	-	-
Other	-	-	-	-	125,000.00	118,592.60	65,000.00	62,344.08
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	15,000.00	12,978.17	22,000.00	21,808.09	125,000.00	118,628.86	65,000.00	62,344.08
DISBURSEMENTS								
Salaries	15,000.00	-	40,000.00	38,106.80	-	92,321.81	15,500.00	12,608.66
Law Enforcement Purposes	-	-	-	-	-	9,475.51	64,500.00	44,415.58
Other	2,094.63	4,266.86	5,500.00	5,239.90	110,000.00	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	17,094.63	4,266.86	45,500.00	43,346.70	110,000.00	101,797.32	80,000.00	57,024.24
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,094.63)	8,711.31	(23,500.00)	(21,538.61)	15,000.00	16,831.54	(15,000.00)	5,319.84
CASH AND INVESTMENT BALANCES, JANUARY 1	3,094.63	3,094.63	24,633.24	24,633.24	25,262.82	25,262.82	19,942.98	19,942.98
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 1,000.00	\$ 11,805.94	\$ 1,133.24	\$ 3,094.63	\$ 40,262.82	\$ 42,094.36	\$ 4,942.98	\$ 25,262.82

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	SHERIFF'S AGENCY FUND				LAW LIBRARY FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Charges For Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-
Interest	5.00	1.00	-	4.82	-	2.97	-	-
Other	9,618.43	9,622.46	7,500.00	5,796.91	8,000.00	7,234.00	7,000.00	6,993.36
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	9,623.43	9,623.46	7,500.00	5,801.73	8,000.00	7,236.97	7,000.00	6,993.36
DISBURSEMENTS								
Supplies and Equipment	7,070.93	10,145.93	11,000.00	8,847.47	-	-	-	-
Other	3,075.00	-	-	-	10,074.15	6,725.82	9,283.89	7,203.10
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	10,145.93	10,145.93	11,000.00	8,847.47	10,074.15	6,725.82	9,283.89	7,203.10
RECEIPTS OVER (UNDER) DISBURSEMENTS	(522.50)	(522.47)	(3,500.00)	(3,045.74)	(2,074.15)	511.15	(2,283.89)	(209.74)
CASH AND INVESTMENT BALANCES, JANUARY 1	718.84	718.84	3,764.58	3,764.58	2,074.15	2,074.15	2,283.89	2,283.89
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 196.34	\$ 196.37	\$ 264.58	\$ 718.84	\$ -	\$ 2,585.30	\$ -	\$ 2,074.15

financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	ELECTION SERVICES FUND				TAX MAINTENANCE FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Charges For Service	\$ 5,532.23	\$ 7,781.30	\$ 4,100.00	\$ 3,118.53	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	2,700.00	1,170.00	-	-	-	-
Interest	30.00	9.00	35.00	23.81	5.00	4.95	5.00	4.55
Other	-	-	-	-	17,000.00	17,171.82	16,500.00	16,904.48
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	5,562.23	7,790.30	6,835.00	4,312.34	17,005.00	17,176.77	16,505.00	16,909.03
DISBURSEMENTS								
Office Expenses	-	-	-	-	8,214.11	4,572.86	5,521.80	4,037.77
Mileage & Training	-	-	-	-	1,000.00	317.88	700.00	1,266.20
Other	6,755.00	5,046.95	10,000.00	6,358.87	9,195.00	7,874.67	18,482.30	12,178.25
Transfers Out	1,245.00	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	8,000.00	5,046.95	10,000.00	6,358.87	18,409.11	12,765.41	24,704.10	17,482.22
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,437.77)	2,743.35	(3,165.00)	(2,046.53)	(1,404.11)	4,411.36	(8,199.10)	(573.19)
CASH AND INVESTMENT BALANCES, JANUARY 1	4,247.90	4,247.90	6,294.43	6,294.43	1,404.11	1,404.11	1,977.30	1,977.30
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 1,810.13</u>	<u>\$ 6,991.25</u>	<u>\$ 3,129.43</u>	<u>\$ 4,247.90</u>	<u>\$ (0.00)</u>	<u>\$ 5,815.47</u>	<u>\$ (6,221.80)</u>	<u>\$ 1,404.11</u>

financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	SENATE BILL 40			
	2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 89,000.00	\$ 99,162.00	\$ 95,000.00	\$ 86,464.59
Sales Taxes	-	-	-	-
Intergovernmental	-	-	-	1,271.92
Charges For Service	-	-	-	-
Interest	300.00	169.00	250.00	286.58
Other	-	3,000.00	-	-
Transfers In	-	-	-	-
TOTAL RECEIPTS	89,300.00	102,331.00	95,250.00	88,023.09
DISBURSEMENTS				
Senate Bill 40	77,900.00	64,373.91	76,850.00	63,158.94
Other	-	-	-	-
Transfers Out	-	-	-	-
TOTAL DISBURSEMENTS	77,900.00	64,373.91	76,850.00	63,158.94
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,400.00	37,957.09	18,400.00	24,864.15
CASH AND INVESTMENT BALANCES, JANUARY 1	125,912.11	125,912.11	101,047.96	101,047.96
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 137,312.11</u>	<u>\$ 163,869.20</u>	<u>\$ 119,447.96</u>	<u>\$ 125,912.11</u>

financial statements are an integral part of this statement.



THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
AGENCY FUNDS - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2011

	County Capital	Flood Control	Forrest Reserve	Title III	Deputy Salary Supplement	SEMA Flood Buyout
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	-	-	-	-	-	-
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	CDBG Flood Buyout	Surplus Tax	Cerf	Lowndes Firehouse Project	Commissary	Recorder of Deeds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ 69,622.99	\$ 4,357.68	\$ -	\$ 1,362.74	\$ 7,103.56
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	-	69,622.99	4,357.68	-	1,362.74	7,103.56
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	-	69,622.99	4,357.68	-	1,362.74	7,103.56
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 69,622.99	\$ 4,357.68	\$ -	\$ 1,362.74	\$ 7,103.56

	Drug Court	Special Election	Sheriff's Special	Sheriff's Seizure	Inmate Security	Collector Online Payment
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 35,617.23	\$ 34,526.00	\$ 9,632.32	\$ 6,646.00	\$ 340.50	\$ 49,974.68
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	35,617.23	34,526.00	9,632.32	6,646.00	340.50	49,974.68
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	35,617.23	34,526.00	9,632.32	6,646.00	340.50	49,974.68
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,617.23	\$ 34,526.00	\$ 9,632.32	\$ 6,646.00	\$ 340.50	\$ 49,974.68

	Collector	Fiduciary Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,123,490.96	\$ 4,342,674.66
Investments		
Other Investments	-	-
Total Investments	-	-
Total Assets	4,123,490.96	4,342,674.66
<b>LIABILITIES AND FUND BALANCES</b>		
TOTAL LIABILITIES	-	-
UNRESERVED FUND BALANCES	4,123,490.96	4,342,674.66
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,123,490.96	\$ 4,342,674.66

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
AGENCY FUNDS - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2010

	County Capital	Flood Control	Forrest Reserve	Title III	Deputy Salary Supplement	SEMA Flood Buyout
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 390.00	\$ -
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	-	-	-	-	390.00	-
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	-	-	390.00	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390.00</u>	<u>\$ -</u>

	CDBG Flood Buyout	Surplus Tax	Cerf	Recorder of Deeds	Commissary	Drug Court
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ 62,951.16	\$ 4,515.97	\$ 8,390.69	\$ 1,316.26	\$ 23,989.12
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	-	62,951.16	4,515.97	8,390.69	1,316.26	23,989.12
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	-	62,951.16	4,515.97	8,390.69	1,316.26	23,989.12
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 62,951.16</u>	<u>\$ 4,515.97</u>	<u>\$ 8,390.69</u>	<u>\$ 1,316.26</u>	<u>\$ 23,989.12</u>

	Collector	Special Election	Sheriff's Special	Sheriff's Seizure	Inmate Security	Collector Online Payment
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 4,095,607.72	\$ -	\$ 8,782.54	\$ 6,646.00	\$ 22.00	\$ (26.34)
Investments						
Other Investments	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-
Total Assets	4,095,607.72	-	8,782.54	6,646.00	22.00	(26.34)
<b>LIABILITIES AND FUND BALANCES</b>						
TOTAL LIABILITIES	-	-	-	-	-	-
UNRESERVED FUND BALANCES	4,095,607.72	-	8,782.54	6,646.00	22.00	(26.34)
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,095,607.72</u>	<u>\$ -</u>	<u>\$ 8,782.54</u>	<u>\$ 6,646.00</u>	<u>\$ 22.00</u>	<u>\$ (26.34)</u>

	Total Fiduciary Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,212,585.12
Investments	
Other Investments	-
Total Investments	-
Total Assets	4,212,585.12
<b>LIABILITIES AND FUND BALANCES</b>	
TOTAL LIABILITIES	-
UNRESERVED FUND BALANCES	4,212,585.12
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,212,585.12</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Wayne, Missouri ("County"), which is governed by a three-member board of commissioners, was established in 1818 by an Act of the Missouri Territory. In addition to the three board members, there are ten elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of the County.

The County's operations include tax assessments and collections, state/county courts, county recorder, police protection, transportation, economic development, social and human services.

The financial statements referred to above include only the primary government of Wayne County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by the Missouri law, which include a Statement of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

**Governmental Fund Types**

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

**Fiduciary Fund Types**

*Agency* – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting. This basis of accounting recognizes amounts when received or disbursed in cash and differs from accounting principles generally accepted in the United States of America.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budget and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting (concluded)

3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes (concluded)

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010, for purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 80,959,040	\$ 81,671,470
Personal Property	29,084,894	29,803,510
Railroad and Utilities	<u>14,208,768</u>	<u>13,484,133</u>
	<u>\$ 124,252,702</u>	<u>\$ 124,959,113</u>

During 2011 and 2010, the County Commission approved a \$0.3346 and \$0.3350 tax levy, respectively, per \$100 of assessed valuation of tangible taxable property for the calendar year 2011 and 2010, for purpose of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$ 0.1446	\$ 0.1450
Special R&B Fund	0.1100	0.1100
Senate Bill 40	<u>0.0800</u>	<u>0.0800</u>
	<u>\$ 0.3346</u>	<u>\$ 0.3350</u>

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer Funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds based on a weighted average of cash balance. Cash equivalents include any instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note II.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are eliminated due to reporting the financial statements on the regulatory basis of accounting.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

II. DEPOSITS AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed as "Cash and Investments" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of the County's deposits was \$516,472.62 and \$278,130.01, and the bank balance was \$3,465,358.30 and \$3,022,659.93, respectively. As of December 31, 2011 and 2010, the County's investments were \$125,178.41 and \$123,343.66, respectively.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Included in the following fund financial statement captions:

Statements of Receipts, Disbursements and Changes in Cash  
and Investments – Governmental Funds:

Deposits	\$ 391,294.21
Investments	<u>125,178.41</u>
Total Governmental Funds	516,472.62

Statement of Assets and Liabilities Arising From Cash  
Transactions – Agency Funds:

Deposits	4,342,674.66
Investments	<u>-</u>

Total Deposits & Investments as of December 31, 2011	\$ <u>4,859,147.28</u>
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THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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II. DEPOSITS AND INVESTMENTS (continued)

The carrying values of deposits and investments at December 31, 2010, are as follows:

Included in the following fund financial statement captions:

Statements of Receipts, Disbursements and Changes in Cash  
and Investments – Governmental Funds:

Deposits	\$ 154,786.35
Investments	123,343.66
Total Governmental Funds	<u>278,130.01</u>

Statement of Assets and Liabilities Arising From Cash

Transactions – Agency Funds:

Deposits	4,212,585.12
Investments	<u>-</u>

Total Deposits & Investments as of December 31, 2010	\$ <u><u>4,490,715.13</u></u>
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Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011 and 2010.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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II. DEPOSITS AND INVESTMENTS (concluded)

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the years ended December 31, 2011 and 2010.

III. LONG-TERM DEBT

Capital lease – In 2009, a capital lease was obtained for a 2009 Caterpillar wheel loader. The lease matures June 25, 2014, and the interest rate is 3.45%.

Capital lease – In 2008, a capital lease was obtained for a 2008 John Deere motor grader. The lease matures July 01, 2013, and the interest rate is 4.25%.

Capital lease – In 2009, a capital lease was obtained for a backhoe. The lease matures February 26, 2013, and the interest rate is 5.00%.

Capital lease – In 2010, a capital lease was obtained for a Caterpillar 924H wheel loader. The lease matures September 15, 2015, and the interest rate is 3.45%.

Capital lease – In 2011, a capital lease was obtained for two John Deere Tractors. The lease matures April 19, 2016, and the interest rate is 4.50%.

Capital lease-In 2008 the Sheriff's Department entered into a Lease Purchase Agreement for a Cannon Copy Machine. The lease matures July 17, 2011 and the interest rate is unknown.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

III. LONG-TERM DEBT (continued)

DEBT	2011				
	BALANCE AT 12/31/2010	AMOUNT BORROWED	AMOUNT PAID	BALANCE AT 12/31/2011	INTEREST PD DURING YEAR
Capital Lease	\$ 302,808.94	\$ 170,010.00	\$ (82,204.86)	\$ 390,614.08	\$ 7,015.91
TOTAL	<u>\$ 302,808.94</u>	<u>\$ 170,010.00</u>	<u>\$ (82,204.86)</u>	<u>\$ 390,614.08</u>	<u>\$ 7,015.91</u>

DEBT	2010				
	BALANCE AT 12/31/2009	AMOUNT BORROWED	AMOUNT PAID	BALANCE AT 12/31/2010	INTEREST PD DURING YEAR
Capital Lease	\$ 302,869.02	\$ 67,850.91	\$ (67,910.99)	302,808.94	\$ 11,573.69
TOTAL	<u>\$ 302,869.02</u>	<u>\$ 67,850.91</u>	<u>\$ (67,910.99)</u>	<u>\$ 302,808.94</u>	<u>\$ 11,573.69</u>

2011 Amortizations

YEAR	Capital Lease Payments		
	<u>PRINCIPLE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$ 116,337.35	\$ 14,873.74	\$ 131,211.09
2013	121,467.97	9,745.13	131,213.10
2014	66,931.42	6,415.36	73,346.78
2015	48,817.22	3,731.68	52,548.90
2016	37,060.12	1,672.11	38,732.23
TOTAL	<u>\$ 390,614.08</u>	<u>\$ 36,438.02</u>	<u>\$ 427,052.10</u>

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

III. LONG-TERM DEBT (concluded)

2010 Amortizations

YEAR	Capital Lease Payments		
	<u>PRINCIPLE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	\$ 82,204.86	\$ 10,753.79	\$ 92,958.65
2012	85,276.53	7,202.33	92,478.86
2013	88,988.45	3,492.42	92,480.87
2014	32,990.32	1,624.23	34,614.55
2015	13,348.78	467.89	13,816.67
TOTAL	<u>\$ 302,808.94</u>	<u>\$ 23,540.66</u>	<u>\$ 326,349.60</u>

IV. INTERFUND TRANSFERS

Transfers between funds for the years ended December 31, 2011 and 2010 are as follows:

	2011		2010	
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Revenue	\$ 135,265.69	\$ 39,000.00	\$ 152,805.91	\$ 59,454.67
Special Road & Bridge	33,000.00	103,770.24	40,000.00	124,738.02
Assessment	6,000.00	-	19,454.67	-
Recorder's User Fee		13,694.00	-	12,521.20
Law Enforcement Restitution	-	17,801.45	-	15,546.69
TOTAL	<u>\$ 174,265.69</u>	<u>\$ 174,265.69</u>	<u>\$ 212,260.58</u>	<u>\$ 212,260.58</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees, whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members.

B. Pension Benefits

All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of Missouri Legislature. During 2011 and 2010, the Primary Government collected and remitted to CERF, employee contributions of approximately \$56,885.97 and \$54,166.29 respectively, for the year then ended.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2011 and 2010.

VII. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

VIII. CLAIMS COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is currently involved in pending litigation.

B. Compensated Absences

The County provides employees with up to three weeks of paid vacation based upon the number of years of continuing service. Sick time is accrued at ½ day for each full month employed, which may accumulate up to 30 days. An employee is not reimbursed for unused sick time upon termination of employment. Employees are entitled up to three days leave for a death in the immediate family. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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IX. RISK MANAGEMENT (concluded)

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

X. LIMITATION OF TESTING

The internal controls of the Recorder's Office are not designed in such a manner to deter the misstatement of financial transactions or to detect errors if they occurred during 2010. In 2010, this office had insufficient supporting documentation for deposits. New procedures have been implemented in 2011.

**SUPPLEMENTARY SCHEDULES  
AND  
AUDITOR'S REPORT**

## **STATE COMPLIANCE SECTION**



THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SCHEDULE OF STATE FINDINGS  
DECEMBER 31, 2011 AND 2010

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SCHEDULE OF STATE FINDINGS

- I. For the year ended December 31, 2011, no budget was prepared for the special election fund and the sheriff special fund.
- II. For the year ended December 31, 2010, no budget was prepared for the special election fund and the sheriff special fund.

## **FEDERAL COMPLIANCE SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission  
The County of Wayne, Missouri

We have audited the financial statements of the County of Wayne ("County"), Missouri as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 19, 2012. The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. Our report has been modified because the internal controls of the Recorder's office can not be relied upon and receipts of this office may be incorrectly reported in the financial statements for 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (FS 10/11-04).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (FS 10/11-01, FS 10/11-02, FS 10/11-03, and FS 10/11-05)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated June 19, 2012.

The County's responses to the findings identified in our audit are described in the accompany schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

June 19, 2012



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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Independent Auditor's Report

To The County Commission  
The County of Wayne, Missouri

**Compliance**

We have audited the compliance of the County of Wayne, (the County), State of Missouri with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2011 and December 31, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item SA 10/11-01 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of Schools and Roads – Grants to States regarding activities allowed or unallowed, allowable costs/cost principles, cash management, matching, level of effort, earmarking and procurement and suspension and debarment, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the County's compliance with the requirements of Schools and Roads – Grants to States regarding activities allowed or unallowed, allowable costs/cost principles, cash management, matching, level of effort, earmarking and procurement and suspension and debarment, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2011 and 2010.

### **Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompany schedule of findings and questioned costs as item SA 10/11-01 to be a material weakness.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, others within the entity, other auditing agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
June 19, 2012

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY NUMBER</b>	<b>FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2011</b>	<b>FEDERAL SHARE OF EXPENDITURES DECEMBER 31, 2010</b>
<b>US DEPARTMENT OF AGRICULTURE</b>				
Passed Through State:				
Office of Administration:				
School and Roads - Grants to States	10.665		\$ 450,241.65	\$ 436,244.14
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed Through State:				
Department of Economic Development:				
Community Development Block Grant	14.228	2008-PF-947	5,480.00	-
		2008-EM-02	50,848.52	-
		2008-EM-15	47,012.00	57,917.80
		2010-EM-03	74,817.12	-
Department of Social Services:				
Emergency Shelter Grants Program	14.231	ERO1642	16,196.00	-
Missouri Department of Social Services:				
ARRA - HPRP Program Homeless Prevention and Rapid Re-Housing	14.257	ER16410049A	23,861.50	102,596.00
<b>DEPARTMENT OF INTERIOR</b>				
Direct Programs:				
PILT - Payment in Lieu of Taxes	15.226	N/A	146,926.00	156,236.00
<b>US DEPARTMENT OF JUSTICE</b>				
Passed Through State:				
State Department of Public Safety				
Crime Victim Assistance	16.575	2008-VOCA-0068	-	19,760.00
		2009-VOCA-0079-SE	14,820.00	2,844.00
		2011-VOCA-030-SE	4,602.00	-
<b>DEPARTMENT OF TRANSPORTATION</b>				
Passed Through State:				
Highway and Transportation Commission				
Highway Planning and Construction	20.205	BRO-111(8)	177,051.53	635,384.17
		BRO-111(9)	36,765.35	-
<b>GENERAL SERVICES ADMINISTRATION</b>				
Passed Through State:				
Office of the Secretary of State				
Election Reform Payments	39.011		3,355.00	4,474.00
<b>ELECTION ASSISTANCE COMMISSION</b>				
Passed Through State:				
Office of Secretary of State				
Help America Vote Act Requirements Payments	90.401		2,198.92	5,169.65
<b>US DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through State:				
State Emergency Management Agency				
Presidentially Declared Disasters	97.036	1980-DR-MO	429,211.08	-
State Emergency Management Agency				
Hazard Mitigation Program	97.039	1676-DR-MO	141,032.28	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,624,418.95</b>	<b>\$ 1,420,625.76</b>

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
NOTES TO EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2011 AND 2010

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NOTE 1 – BASIS OF PRESENTATION

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each major program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Wayne County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented on the regulatory basis of accounting, which recognizes amounts only when disbursed in cash.

NOTE 2 – SUBRECIPIENTS

<u>Program Title</u>	<u>Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
ARRA Homeless Prevention and Rapid Re-Housing	South Central Mo Community Action Agency	14.257	2011 \$ 23,861.50
			2010 102,596.00
			2011 149,453.50
Schools and Roads to States	Clearwater R-I School	10.665	2010 140,422.23
			2011 149,453.50
Schools and Roads to States	Greenville R-II School	10.665	2010 140,422.22
			2011 158.20
Schools and Roads to States	East Carter Co R-II	10.665	2010 158.20
			Total Provided to Subrecipients





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THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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II. FINANCIAL STATEMENT FINDINGS (continued)

FS 10/11-02     Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters identified in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The County will consider preparing appropriate documentation.

FS 10/11-03     Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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II. FINANCIAL STATEMENT FINDINGS (continued)

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The County will consider preparing appropriate documentation.

FS 10/11-04 Criteria: The County must maintain sufficient internal controls and procedures to detect and deter misstatements and potential fraudulent activity.

Condition: During our audit, we noted there were insufficient internal controls and procedures in the Recorder's office to adequately document the amounts collected for fees and their subsequent deposit with their financial institution during 2010. During 2011, funds were not being disbursed on a monthly basis.

Context: During our testing of receipts of the Recorder's office and walkthroughs of their depositing procedures, it became apparent that there were no controls or monitoring procedures in this office for the purposes of collecting and tracking funds received and deposited during 2010.

Effect: Lack of documentation may result in inaccurate transactions being reported and allows for misstatements and potential fraudulent activity to occur undetected.

Cause: The County did not implement effective internal controls over the Recorder's office in order to track and reconcile deposits of its collections and make proper disbursements on a monthly basis.

Recommendation: We recommend that the Recorder's office design a system of internal control procedures that will work within its staffing limitations to track collections and deposits. Also an effective internal control procedure must detect and deter future misstatements in this office's financial reporting. Proper disbursements should be made on a monthly basis.

Views of responsible officials and planned corrective actions: Bank reconciliation has been prepared on a monthly basis since January 2011. Beginning in February 2012, I started reconciling bank deposits to daily receipts reported and disbursements. The undisbursed amounts will be disbursed in May 2012.

FS 10/11-05 Criteria: Bank reconciliations must be prepared on a timely basis by the Collector's office.

Condition: We noted negative cash balances in the Collector's office for the online payment account according to reconciliations.

Context: This deficiency became apparent through our testing of the Collector's cash accounts and the related reconciliations.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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II. FINANCIAL STATEMENT FINDINGS (concluded)

FS 10/11-05     Effect: Errors may go undetected if proper controls are not in place to review cash transactions.

Cause: Management does not place adequate emphasis upon reviewing cash transactions and preparing accurate reconciliations.

Recommendation: We recommend that the County Collector prepare monthly bank reconciliations and adjustments to the cash accounts.

Views of responsible officials and planned corrective actions: Due to NSF checks and the fees related to them we may have a negative balance at the end of the month. We do have procedures in place to monitor them and apply balances where needed as the money comes in to us from the taxpayers.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following findings, recommendations, and questioned costs are the results of the single audit of Wayne County, Missouri for fiscal years ended December 31, 2011 and 2010. Each finding is referenced with a two-digit number representing the fiscal years audited, an "SA" to indicate that it is a single audit finding, and a sequential number. The findings are presented by federal program and are classified according to federal and state department, type of compliance requirement, category of internal control weakness, and category of noncompliance.

A. Category of Internal Control Weakness

If the finding represents a weakness in internal control, one of the following designations will appear:

1. Significant Deficiency: A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
2. Material Weakness: A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

B. Category of Noncompliance Findings

If the finding represents an instance of noncompliance, one of the following designations will appear:

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

1. Material Noncompliance: A material noncompliance finding is a finding related to a major federal program which discusses conditions representing noncompliance with federal laws, regulations, contracts, or grants, the effects of which have a material effect in relation to a type of compliance requirement or audit objective identified in OMB Circular A-133 *Compliance Supplement*.
2. Questioned Cost Finding: A questioned cost finding is a finding which discusses known or likely questioned costs that are greater than \$10,000 for a type of compliance requirement, unless the conditions giving rise to the questioned costs are otherwise reported as a material noncompliance finding.

C. Federal Award Findings and Questioned Costs

SA 10/11-01	Federal Grantor:	U.S. Department of Agriculture
Activities Allowed and		
Disallowed	Pass-Through Grantor:	Missouri State Office of Administration
Material Weakness	Federal CFDA Number:	10.665
	Program Title:	School and Roads – Grants to States

Information on the federal program: CFDA #10.665, School and Road Grants to States was not included in the County's Schedule of Expenditures of Federal Awards and was not being tracked.

Criteria: OMB Circular A-133, §\_\_\_\_.300 Auditee responsibilities (a): The auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Condition: Prior to these corrections, the SEFA did not include the funding expensed from the above federal funding source during 2010 and 2011. Title III funding from the Forests and Schools grant was not being tracked in order to perform tests of activities allowed and disallowed.

Questioned Costs: Not applicable

Context: During the audit of federal programs we discovered a number of errors related to the Schedule of Expenditures of Federal Awards (SEFA), and we were not able to track allowable and disallowable expenditures for Title III.

Effect: No control monitoring or control over federal expenditures reporting, as required by Governmental Accounting and Financial Reporting Standards.

Cause: No control monitoring or control over federal expenditures reporting, as required by Governmental Accounting and Financial Reporting Standards.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (concluded)

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. This cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Views of responsible officials and planned corrective actions: The County will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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I. FOLLOW-UP PRIOR YEAR FINDINGS

FS 08/09-01     Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During the audit planning phase of the audit, the client informed us that we would be preparing the audited financials.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Management's Response: The County will consider taking corrective action in future years.

Auditor's Evaluation: The stated corrective action has not been implemented in the current year being audited. See financial statement finding FS 10/11-01.

FS 08/09-02     Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for the period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During walkthroughs, the County informed us that internal control documentation had not been prepared.

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.



THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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I. FOLLOW-UP PRIOR YEAR FINDINGS (Continued)

FS 08/09-02     Cause: Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Management's Response: The County will consider preparing appropriate documentation.

Auditor's Evaluation: The stated corrective action has not been implemented in the current year being audited. See financial statement finding FS 10/11-02.

FS 08/09-03     Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During walkthroughs the County informed us that the necessary risk assessment documentation had not been prepared.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Management Response: The County will consider preparing appropriate documentation.

Auditor's Evaluation: The stated corrective action has not been implemented in the current year being audited. See financial statement finding FS 10/11-03.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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II. FOLLOW-UP PRIOR YEAR FINDINGS (Concluded)

FS 08/09-04     Criteria: The County must maintain sufficient internal controls and procedures to detect and deter misstatements and potential fraudulent activity.

Condition: During our audit, we noted there were insufficient internal controls and procedures in the Recorder's office to adequately document the amounts collected for fees and their subsequent deposit with their financial institution.

Context: During our testing of receipt of the Recorder's office and walkthroughs of their depositing procedures, it became apparent that there were no controls or monitoring procedures in this office for the purposes of collecting and tracking funds received and deposited.

Effect: Lack of documentation may result in inaccurate transactions being reported and allows for misstatements and potential fraudulent activity to occur undetected.

Cause: The County did not implement effective internal controls over the Recorder's office in order to track and reconcile deposits of their collections.

Recommendation: We recommend that the Recorder's office design a system of internal control procedures that will work within its staffing limitations to track collections and deposits. Also an effective internal control procedure must detect and deter future misstatements in this office's financial reporting.

Management Response: The Recorder's office will consider implementing internal control procedures and training of the newly elected Recorder.

Auditor's Evaluation: The stated corrective action has not been implemented in the current year being audited. See financial statement finding FS 10/11-04.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – PRIOR YEAR

SA 08/09-01     Information on the federal program: CFDA #15.226, Payment in Lieu of Taxes from the  
Other     Department of Interior was not included in the County's Schedule of Expenditures of  
Information:     Federal Awards.

Significant     Criteria: OMB Circular A-133, §\_\_\_.300 Auditee responsibilities (a): The auditee shall  
Deficiency     identify, in its accounts, all Federal awards received and expended and the Federal  
                     programs under which they were received. Federal program and award identification shall  
                     include, as applicable, the CFDA title and number, award number and year, name of the  
                     Federal agency, and name of the pass-through entity.

THE COUNTY OF WAYNE  
GREENVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011 AND 2010

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II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – PRIOR YEAR (concluded)

Condition: Although, through auditing procedures, we were able to correct and support the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA). Prior to these corrections, the SEFA did not include the funding expensed from the above federal funding source during 2008 and 2009.

Questioned Costs: Not applicable

Context: During the audit of federal programs we discovered a number of errors related to the Schedule of Expenditures of Federal Awards (SEFA).

Effect: No control monitoring or control over federal expenditures reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed of the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. The cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Views of responsible officials and planned corrective actions: The County will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

Auditor's Evaluation: The stated corrective action has not been implemented in the current year. Please refer to SA 10/11-01.



# Daniel Jones & Associates

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Commissioners  
County of Wayne

In planning and performing our audit of the financial statements of the County of Wayne (County) as of and for the years ended December 31, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did identify one deficiency in internal control that we consider to be a material weakness (FS 10/11-04) as noted in section I.

A significant deficiency, is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the County's internal control to be significant deficiencies as noted in section I.

Our comments concerning internal control and other material and significant matters are presented as follows:

- I. Deficiencies Considered to be Material and Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County of Wayne's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Daniel Jones & Associates*

Daniel Jones & Associates, P.C.  
Certified Public Accountants  
June 19, 2012

## I. DEFICIENCIES CONSIDERED TO BE MATERIAL AND SIGNIFICANT

FS 10/11-01      Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency. SAS No. 115 supersedes SAS No. 112.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During discussions with management, we noted that we will be assisting the County with the preparation of their audited financial statements and footnotes.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 115 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Views of responsible officials and planned corrective actions: The County will consider taking corrective action in future years.

FS 10/11-02      Criteria: Statements on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters identified in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

# **I. DEFICIENCIES CONSIDERED TO BE MATERIAL AND SIGNIFICANT (continued)**

FS 10/11-02      Views of responsible officials and planned corrective actions: The County will consider preparing appropriate documentation.

FS 10/11-03      Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The County will consider the auditor's recommendation.

FS 10/11-04      Criteria: The County must maintain sufficient internal controls and procedures to detect and deter misstatements and potential fraudulent activity.

Condition: During our audit, we noted there were insufficient internal controls and procedures in the Recorder's office to adequately document the amounts collected for fees and their subsequent deposit with their financial institution during 2010. During 2011 funds were not being disbursed on a monthly basis.

Context: During our testing of receipts of the Recorder's office and walkthroughs of their depositing procedures, it became apparent that there were no controls or monitoring procedures in this office for the purposes of collecting and tracking funds received and deposited during 2010.

Effect: Lack of documentation may result in inaccurate transactions being reported and allows for misstatements and potential fraudulent activity to occur undetected.

Cause: The County did not implement effective internal controls over the Recorder's office in order to track and reconcile deposits of its collections and make proper disbursements on a monthly basis.

Recommendation: We recommend that the Recorder's office design a system of internal control procedures that will work within its staffing limitations to track collections and deposits. Also, an effective internal control procedure must detect and deter future misstatements in this office's financial reporting. Proper disbursements should be made on a monthly basis.

# **I. DEFICIENCIES CONSIDERED TO BE MATERIAL AND SIGNIFICANT (continued)**

FS 10/11-04      Views of responsible officials and planned corrective actions: Bank reconciliation has been prepared on a monthly basis since January 2011. Beginning in February 2012, I started reconciling bank deposits to daily receipts reported and disbursements. The undisbursed amounts will be disbursed in May 2012.

FS 10/11-05      Criteria: Bank reconciliations must be prepared on a timely basis by the Collector's office.

Condition: We noted negative cash balances in the Collector's office for the online payment account according to reconciliations.

Context: This deficiency became apparent through our testing of the Collector's cash accounts and the related reconciliations.

Effect: Errors may go undetected if proper controls are not in place to review cash transactions.

Cause: Management does not place adequate emphasis upon reviewing cash transactions and preparing accurate reconciliations.

Recommendation: We recommend that the County Collector prepare monthly bank reconciliations and adjustments to the cash accounts.

Views of responsible officials and planned corrective actions: Due to NSF checks and the fees related to them we may have a negative balance at the end of the month. We do have procedures in place to monitor them and apply balances where needed as the money comes in to us from the taxpayers.

<b>SA 10/11-01</b>	Federal Grantor:	U.S. Department of Agriculture
Activities Allowed and Disallowed	Pass-Through Grantor:	Missouri State Office of Administration
Material Weakness	Federal CFDA Number:	10.665
	Program Title:	Schools and Roads – Grants to States

Information on the federal program: CFDA #10.665, School and Road Grants to States was not included in the County's Schedule of Expenditures of Federal Awards and was not being tracked.

Criteria: OMB Circular A-133, §\_\_\_\_.300 Auditee responsibilities (a): The auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Condition: Prior to these corrections, the SEFA did not include the funding expended from the above federal funding source during 2010 and 2011. Title III funding from the Forests and Schools grant was not being tracked in order to perform tests of activities allowed and disallowed.

Questioned Costs: Not applicable

Context: During the audit of federal programs we discovered a number of errors related to the Schedule of Expenditures of Federal Awards (SEFA), and we were not able to track allowable and disallowable expenditures for Title III.

## I. DEFICIENCIES CONSIDERED TO BE MATERIAL AND SIGNIFICANT (concluded)

Effect: No control monitoring or control over federal expenditures reporting, as required by Governmental Accounting and Financial Reporting Standards.

Cause: No control monitoring or control over federal expenditures reporting, as required by Governmental Accounting and Financial Reporting Standards.

Recommendation: The County should implement procedures to ensure that the SEFA is prepared in accordance with federal requirements. The County should continue in its efforts to establish an accounting system that will capture grant transactions in a manner sufficient to readily report the necessary information required on the SEFA. This cost center listing that identifies federal expenditures should be defined and cross matched in a table that is updated monthly by a designee of the County Clerk's Office.

Views of responsible officials and planned corrective actions: The County will ensure that the Schedule of Expenditures of Federal Awards (SEFA) is correct.

## II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

Statements on Auditing Standards (SAS) 118, *Other Information in Documents Containing Audited Financial Statements*, is effective for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted. This Standard supersedes the requirements and guidance in AU section 550. Along with SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, this SAS also supersedes the requirements and guidance in AU section 551. This Standard

- eliminates the distinction between other information that is included in an auditor-submitted document that contains the client's basic financial statements and the auditor's report thereon and other information that is in a client-prepared document.
- establishes a presumptively mandatory performance requirements, including that the auditor read the other information of which the auditor is aware in order to identify material inconsistencies, if any, with the audited financial statements.
- establishes presumptively mandatory performance and reporting requirements when the auditor identifies a material inconsistency with other information and the financial statements.
- establishes mandatory performance requirements when the auditor becomes aware of an apparent material misstatement of fact in the other information.

SAS 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, is effective for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted. This Standard supersedes the requirements and guidance in AU section 550. Along with SAS No. 118, *Other Information in Documents Containing Audited Financial Statements* supersedes the requirements and guidance in AU section 551. This Standard

- establishes preconditions in order to opine on whether supplementary information is fairly stated in relation to the financial statements as a whole.
- establishes presumptively mandatory performance requirements in order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.
- establishes presumptively mandatory reporting requirements when the entity presents the supplementary information with the financial statements and when the audited financial statements are not presented with the supplementary information.



## II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS (concluded)

- establishes a preclusion from expressing an opinion on supplementary information when the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion and the auditor has been engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

### Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 23, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the regulatory basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Wayne's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 23, 2012.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Wayne are described in Note I to the financial statements. The Regulatory basis of accounting recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the Notes to the financial statements. The new method of accounting presentation was implemented to conform with Missouri State Law. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2012.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our testing we noted the County needs to review policy enforcing RsMO Section 50.370 as some offices are not reporting monthly with the Commission. This was not considered to be a significant deficiency or a material weakness, but we consider it to be necessary to communicate to management.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Shelby County, Missouri

The Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich", is positioned above the printed name.

Thomas A. Schweich  
State Auditor

August 2012  
Report No. 2012-91

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2011 AND 2010

**THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
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## **FINANCIAL SECTION**



# Daniel Jones & Associates

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the County Commission  
The County of Shelby, Missouri

We have audited the accompanying financial statements of the County of Shelby ("County"), Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note I, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County of Shelby, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of the County of Shelby, Missouri, as of December 31, 2011 and 2010, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note I.

As described in Note X, the County of Shelby has converted from a modified cash (GASB 34) basis of accounting to the regulatory basis of accounting which differs from accounting principles generally accepted in the United States of America, as of and for the years ended December 31, 2011 and December 31, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

June 20, 2012



## **FINANCIAL STATEMENTS**

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2011

FUND	CASH AND INVESTMENT BALANCES	RECEIPTS	DISBURSEMENTS	CASH AND INVESTMENT BALANCES
	JANUARY 1, 2011	2011	2011	DECEMBER 31, 2011
General Revenue	\$ 250,802.30	\$ 1,099,825.58	\$ 1,153,711.21	\$ 196,916.67
911 Fund	155,387.76	296,640.59	287,384.67	164,643.68
Class 3 Road & Bridge	203,659.45	1,075,323.31	1,122,356.17	156,626.59
Assessment	36,620.87	127,508.06	122,140.23	41,988.70
Law Enforcement Training	3,436.85	1,709.43	2,605.27	2,541.01
Safe Return Project Grant	443.54	0.49	5.83	438.20
Sheriff Civil Fees	23,936.06	9,547.58	3,876.58	29,607.06
POST	-	1,057.15	1,057.15	-
Dare	1,075.03	420.00	55.83	1,439.20
Inmate Security Fund	1,539.22	1,654.92	9.78	3,184.36
Prosecuting Attorney Training	2,641.03	426.25	890.58	2,176.70
P. A. Bad Check Charge	11,042.29	3,127.34	3,794.07	10,375.56
P. A. Tax Collection	1,834.99	2.56	5.83	1,831.72
Circuit Clerk Sound Recording	613.24	0.86	7.81	606.29
Recorder's Record Storage/Pres	6,374.77	2,663.28	2,852.81	6,185.24
Recorder's Technology Fund	7,179.16	1,475.00	5,007.81	3,646.35
Childrens Trust	4,153.80	262.09	1,007.81	3,408.08
Chem Emergency Preparedness	6,384.54	8.88	26.98	6,366.44
Haz Mat Emerg. Preparedness	6,048.56	8.06	446.51	5,610.11
Election Services	2,375.39	512.28	302.74	2,584.93
Collector's Tax Maintenance Fund	18,367.85	7,609.71	6,408.26	19,569.30
Law Enforcement Restitution Fund	11,844.35	17,503.75	9,800.36	19,547.74
<b>TOTAL</b>	<b>\$ 755,761.05</b>	<b>\$ 2,647,287.17</b>	<b>\$ 2,723,754.29</b>	<b>\$ 679,293.93</b>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2010

FUND	CASH AND INVESTMENT BALANCES	RECEIPTS	DISBURSEMENTS	CASH AND INVESTMENT BALANCES
	JANUARY 1, 2010	2010	2010	DECEMBER 31, 2010
General Revenue	\$ 237,456.25	\$ 1,166,057.29	\$ 1,152,711.24	\$ 250,802.30
911 Fund	160,667.22	255,824.82	261,104.28	155,387.76
Class 3 Road & Bridge	250,620.84	1,240,920.94	1,287,882.33	203,659.45
Assessment	41,024.62	109,669.44	114,073.19	36,620.87
Law Enforcement Training	3,292.00	2,679.83	2,534.98	3,436.85
Safe Return Project Grant	447.95	1.02	5.43	443.54
Sheriff Civil Fees	16,392.14	10,364.10	2,820.18	23,936.06
POST	-	1,110.41	1,110.41	-
Dare	604.26	480.00	9.23	1,075.03
Inmate Security Fund	1,976.00	2,466.49	2,903.27	1,539.22
Prosecuting Attorney Training	3,052.99	636.73	1,048.69	2,641.03
P. A. Bad Check Charge	20,975.64	2,704.74	12,638.09	11,042.29
P. A. Tax Collection	1,775.62	64.80	5.43	1,834.99
Circuit Clerk Sound Recording	1,750.30	3.62	1,140.68	613.24
Recorder's Record Storage/Pres	3,704.07	2,679.93	9.23	6,374.77
Recorder's Technology Fund	5,672.09	1,512.50	5.43	7,179.16
Childrens Trust	3,966.27	196.76	9.23	4,153.80
Chem Emergency Preparedness	7,395.97	18.36	1,029.79	6,384.54
Haz Mat Emerg. Preparedness	6,518.57	16.55	486.56	6,048.56
Election Services	2,708.04	502.40	835.05	2,375.39
Collector's Tax Maintenance Fund	14,623.99	8,321.33	4,577.47	18,367.85
Law Enforcement Restitution Fund	6,510.43	11,943.15	6,609.23	11,844.35
TOTAL	\$ 791,135.26	\$ 2,818,175.21	\$ 2,853,549.42	\$ 755,761.05

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	GENERAL REVENUE FUND			
	2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS				
Property Taxes	\$ 422,900.00	\$ 366,411.17	\$ 380,000.00	\$ 408,843.84
Sales Taxes	406,400.00	420,626.74	398,000.00	398,411.94
Intergovernmental	235,936.00	184,810.94	170,805.72	198,542.28
Charges for Services	73,939.00	70,080.13	75,850.00	75,701.57
Interest	800.00	458.21	1,000.00	809.50
Other	74,382.00	44,188.39	68,300.00	68,748.16
Transfers In	25,000.00	13,250.00	25,000.00	15,000.00
TOTAL RECEIPTS	1,239,357.00	1,099,825.58	1,118,955.72	1,166,057.29
DISBURSEMENTS				
County Commission	115,412.08	89,293.44	88,820.23	86,423.65
County Clerk	75,236.29	74,970.44	74,773.28	72,620.61
Elections	13,821.00	11,310.89	39,743.00	38,024.02
Buildings and Grounds	203,852.04	143,551.39	71,600.00	54,325.00
Employee Fringe Benefits	114,900.00	99,413.58	117,186.08	109,607.44
County Treasurer	43,396.00	43,770.02	43,188.80	42,400.38
Collector	70,323.83	69,457.83	67,668.40	66,134.99
Recorder of Deeds	54,446.00	54,418.23	56,219.30	55,094.12
Circuit Clerk	19,700.00	13,986.37	17,700.00	14,469.12
Associate Circuit Court	-	-	-	-
Court Administration	5,923.16	5,192.97	7,123.16	4,675.81
Public Administrator	24,280.00	24,121.73	23,864.00	23,295.93
Sheriff	222,807.95	212,825.41	219,571.44	214,829.02
Jail	87,133.10	78,617.12	86,372.00	82,477.79
Prosecuting Attorney	79,898.80	78,088.41	78,601.20	77,501.97
Juvenile Officer	54,809.00	36,315.13	54,021.97	39,352.95
Coroner	15,418.00	11,945.80	15,020.40	14,642.40
HAVA Election Reimbursable	3,846.00	3,446.00	12,266.00	5,215.09
PA Child Support	-	-	-	-
Reimbursable Grants	-	-	-	-
General County	90,425.00	85,385.45	92,764.00	135,577.95
Health and Welfare	-	-	-	-
Debt Service	-	-	-	-
Transfers Out	17,601.00	17,601.00	16,043.00	16,043.00
Emergency Fund	39,660.00	-	35,476.39	-
TOTAL DISBURSEMENTS	1,352,889.25	1,153,711.21	1,218,022.65	1,152,711.24
RECEIPTS OVER (UNDER) DISBURSEMENTS	(113,532.25)	(53,885.63)	(99,066.93)	13,346.05
CASH AND INVESTMENT BALANCES, JANUARY 1	250,802.30	250,802.30	237,456.25	237,456.25
CASH AND INVESTMENT BALANCES, DECEMBER 31,	\$ 137,270.05	\$ 196,916.67	\$ 138,389.32	\$ 250,802.30

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
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	911 FUND				CLASS 3 ROAD & BRIDGE FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 250,000.00	\$ 241,810.63	\$ 240,000.00	\$ 245,251.96
Sales Taxes	255,000.00	262,895.26	245,000.00	249,005.36	107,450.00	105,156.49	99,000.00	104,808.56
Intergovernmental	-	-	-	-	989,600.00	647,097.45	896,400.00	785,138.92
Charges for Services	-	-	-	-	30,000.00	23,791.67	22,500.00	50,261.40
Interest	500.00	180.52	1,000.00	429.30	1,000.00	456.92	2,000.00	883.25
Other	100.00	33,564.81	1,100.00	6,390.16	40,750.00	57,010.15	40,750.00	54,576.85
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>	<b>255,600.00</b>	<b>296,640.59</b>	<b>247,100.00</b>	<b>255,824.82</b>	<b>1,418,800.00</b>	<b>1,075,323.31</b>	<b>1,300,650.00</b>	<b>1,240,920.94</b>
DISBURSEMENTS								
Annual Salaries	194,924.63	188,157.06	194,514.79	189,512.41	249,727.97	238,337.30	245,780.13	242,580.09
Employee Fringe Benefits	-	-	-	-	48,347.50	46,042.19	50,763.00	51,427.80
Supplies	2,000.00	1,550.06	2,000.00	2,410.04	155,500.00	157,199.75	124,000.00	131,996.77
Insurance	-	-	-	-	14,000.00	13,840.08	17,000.00	16,313.72
R&B Materials	-	-	-	-	832,500.00	475,899.04	769,500.00	711,539.14
Equipment Repairs	-	-	-	-	65,000.00	98,516.54	40,000.00	51,739.94
Rentals	-	-	-	-	1,000.00	700.00	2,000.00	552.70
Equipment Purchases	12,500.00	14,857.06	10,500.00	16,904.63	100,000.00	58,324.02	95,000.00	49,440.78
R&B Construction, R&M	-	-	-	-	1,000.00	6,372.36	-	1,500.00
Other Expenditures	50,415.00	82,820.49	54,200.00	52,277.20	14,467.04	13,874.89	15,200.00	15,791.39
Transfers Out	-	-	-	-	25,000.00	13,250.00	25,000.00	15,000.00
<b>TOTAL DISBURSEMENTS</b>	<b>259,839.63</b>	<b>287,384.67</b>	<b>261,214.79</b>	<b>261,104.28</b>	<b>1,506,542.51</b>	<b>1,122,356.17</b>	<b>1,384,243.13</b>	<b>1,287,882.33</b>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,239.63)	9,255.92	(14,114.79)	(5,279.46)	(87,742.51)	(47,032.86)	(83,593.13)	(46,961.39)
CASH AND INVESTMENT BALANCES, JANUARY 1	155,387.76	155,387.76	160,667.22	160,667.22	203,659.45	203,659.45	250,620.84	250,620.84
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 151,148.13</u>	<u>\$ 164,643.68</u>	<u>\$ 146,552.43</u>	<u>\$ 155,387.76</u>	<u>\$ 115,916.94</u>	<u>\$ 156,626.59</u>	<u>\$ 167,027.71</u>	<u>\$ 203,659.45</u>

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THE COUNTY OF SHELBY  
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	ASSESSMENT FUND				LETF FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 98,764.00	\$ 108,666.45	\$ 97,760.00	\$ 92,069.24	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	2,700.00	1,705.11	2,500.00	2,672.26
Interest	150.00	97.61	250.00	149.14	100.00	4.32	100.00	7.57
Other	1,500.00	1,143.00	1,700.00	1,408.06	-	-	-	-
Transfers In	17,601.00	17,601.00	16,043.00	16,043.00	-	-	-	-
TOTAL RECEIPTS	118,015.00	127,508.06	115,753.00	109,669.44	2,800.00	1,709.43	2,600.00	2,679.83
DISBURSEMENTS								
Assessor	121,907.35	122,140.23	123,284.02	114,073.19	-	-	-	-
Expenses	-	-	-	-	3,150.00	2,605.27	3,070.00	2,534.98
TOTAL DISBURSEMENTS	121,907.35	122,140.23	123,284.02	114,073.19	3,150.00	2,605.27	3,070.00	2,534.98
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,892.35)	5,367.83	(7,531.02)	(4,403.75)	(350.00)	(895.84)	(470.00)	144.85
CASH AND INVESTMENT BALANCES, JANUARY 1	36,620.87	36,620.87	41,024.62	41,024.62	3,436.85	3,436.85	3,292.00	3,292.00
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 32,728.52</u>	<u>\$ 41,988.70</u>	<u>\$ 33,493.60</u>	<u>\$ 36,620.87</u>	<u>\$ 3,086.85</u>	<u>\$ 2,541.01</u>	<u>\$ 2,822.00</u>	<u>\$ 3,436.85</u>

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THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
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	SAFE RETURN PROJECT GRANT FUND				SHERIFF CIVIL FEES FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	290.00	-	290.00	-	-	-	-	-
Charges for Services	-	-	-	-	13,000.00	9,511.59	13,000.00	10,313.86
Interest	100.00	0.49	100.00	1.02	300.00	35.99	300.00	50.24
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	390.00	0.49	390.00	1.02	13,300.00	9,547.58	13,300.00	10,364.10
DISBURSEMENTS								
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-
Expenses	600.00	5.83	600.00	5.43	19,265.00	3,876.58	19,265.00	2,820.18
Buildings & Other	-	-	-	-	-	-	-	-
Fringes	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	600.00	5.83	600.00	5.43	19,265.00	3,876.58	19,265.00	2,820.18
RECEIPTS OVER (UNDER) DISBURSEMENTS	(210.00)	(5.34)	(210.00)	(4.41)	(5,965.00)	5,671.00	(5,965.00)	7,543.92
CASH AND INVESTMENT BALANCES, JANUARY 1	443.54	443.54	447.95	447.95	23,936.06	23,936.06	16,392.14	16,392.14
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 233.54</u>	<u>\$ 438.20</u>	<u>\$ 237.95</u>	<u>\$ 443.54</u>	<u>\$ 17,971.06</u>	<u>\$ 29,607.06</u>	<u>\$ 10,427.14</u>	<u>\$ 23,936.06</u>

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	POST FUND				DARE FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ 1,500.00	\$ 1,057.15	\$ 1,500.00	\$ 1,110.41	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	500.00	420.00	400.00	480.00
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	1,500.00	1,057.15	1,500.00	1,110.41	500.00	420.00	400.00	480.00
DISBURSEMENTS								
Training	-	-	-	-	-	-	-	-
Office	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Expenses	-	1,057.15	1,500.00	1,110.41	400.00	55.83	400.00	9.23
TOTAL DISBURSEMENTS	-	1,057.15	1,500.00	1,110.41	400.00	55.83	400.00	9.23
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500.00	-	-	-	100.00	364.17	-	470.77
CASH AND INVESTMENT BALANCES, JANUARY 1	-	-	-	-	1,075.03	1,075.03	604.26	604.26
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 1,500.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,175.03</u>	<u>\$ 1,439.20</u>	<u>\$ 604.26</u>	<u>\$ 1,075.03</u>

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THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
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	INMATE SECURITY FUND				PA TRAINING FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Charges for Services	\$ 2,460.00	\$ 1,652.00	\$ 1,200.00	\$ 2,460.00	\$ 500.00	\$ 423.09	\$ 489.00	\$ 629.57
Interest	10.00	2.92	10.00	6.49	11.00	3.16	11.00	7.16
Other	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	2,470.00	1,654.92	1,210.00	2,466.49	511.00	426.25	500.00	636.73
DISBURSEMENTS								
Expenses	3,000.00	9.78	3,000.00	2,903.27	2,500.00	890.58	2,500.00	1,048.69
Mileage	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	3,000.00	9.78	3,000.00	2,903.27	2,500.00	890.58	2,500.00	1,048.69
RECEIPTS OVER (UNDER) DISBURSEMENTS	(530.00)	1,645.14	(1,790.00)	(436.78)	(1,989.00)	(464.33)	(2,000.00)	(411.96)
CASH AND INVESTMENT BALANCES, JANUARY 1	1,539.22	1,539.22	1,976.00	1,976.00	2,641.03	2,641.03	3,052.99	3,052.99
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 1,009.22</u>	<u>\$ 3,184.36</u>	<u>\$ 186.00</u>	<u>\$ 1,539.22</u>	<u>\$ 652.03</u>	<u>\$ 2,176.70</u>	<u>\$ 1,052.99</u>	<u>\$ 2,641.03</u>

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THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
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	PA BAD CHECK CHARGE FUND				PA TAX COLLECTION FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	75.00	-	150.00	60.00
Charges for Services	2,270.00	3,112.00	3,500.00	2,658.75	-	-	-	-
Interest	-	15.34	100.00	45.99	4.00	2.56	10.00	4.80
Other	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	2,270.00	3,127.34	3,600.00	2,704.74	79.00	2.56	160.00	64.80
DISBURSEMENTS								
Expenses	13,270.00	3,794.07	22,000.00	12,638.09	1,800.00	5.83	1,700.00	5.43
Misc	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	13,270.00	3,794.07	22,000.00	12,638.09	1,800.00	5.83	1,700.00	5.43
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,000.00)	(666.73)	(18,400.00)	(9,933.35)	(1,721.00)	(3.27)	(1,540.00)	59.37
CASH AND INVESTMENT BALANCES, JANUARY 1	11,042.29	11,042.29	20,975.64	20,975.64	1,834.99	1,834.99	1,775.62	1,775.62
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 42.29	\$ 10,375.56	\$ 2,575.64	\$ 11,042.29	\$ 113.99	\$ 1,831.72	\$ 235.62	\$ 1,834.99

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THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
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	CIRCUIT CLERK SOUND RECORDING FUND				RECORDER'S RECORD STORAGE/PRES FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	2,600.00	2,650.00	2,300.00	2,660.85
Interest	0.50	0.86	4.00	3.62	10.00	13.28	20.00	19.08
Other	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	0.50	0.86	4.00	3.62	2,610.00	2,663.28	2,320.00	2,679.93
DISBURSEMENTS								
Expenses	572.07	7.81	1,713.13	1,140.68	6,300.00	2,852.81	5,000.00	9.23
Office Expenditures	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	572.07	7.81	1,713.13	1,140.68	6,300.00	2,852.81	5,000.00	9.23
RECEIPTS OVER (UNDER) DISBURSEMENTS	(571.57)	(6.95)	(1,709.13)	(1,137.06)	(3,690.00)	(189.53)	(2,680.00)	2,670.70
CASH AND INVESTMENT BALANCES, JANUARY 1	613.24	613.24	1,750.30	1,750.30	6,374.77	6,374.77	3,704.07	3,704.07
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 41.67	\$ 606.29	\$ 41.17	\$ 613.24	\$ 2,684.77	\$ 6,185.24	\$ 1,024.07	\$ 6,374.77

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THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
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	RECORDER'S TECHNOLOGY FUND				CHILDRENS TRUST			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-	200.00	257.00	250.00	186.00
Charges for Services	1,500.00	1,475.00	1,300.00	1,512.50	-	-	-	-
Interest	-	-	-	-	10.00	5.09	50.00	10.76
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	1,500.00	1,475.00	1,300.00	1,512.50	210.00	262.09	300.00	196.76
DISBURSEMENTS								
Expenses	7,100.00	5,007.81	5,000.00	5.43	1,100.00	1,007.81	1,300.00	9.23
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	7,100.00	5,007.81	5,000.00	5.43	1,100.00	1,007.81	1,300.00	9.23
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,600.00)	(3,532.81)	(3,700.00)	1,507.07	(890.00)	(745.72)	(1,000.00)	187.53
CASH AND INVESTMENT BALANCES, JANUARY 1	7,179.16	7,179.16	5,672.09	5,672.09	4,153.80	4,153.80	3,966.27	3,966.27
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 1,579.16</u>	<u>\$ 3,646.35</u>	<u>\$ 1,972.09</u>	<u>\$ 7,179.16</u>	<u>\$ 3,263.80</u>	<u>\$ 3,408.08</u>	<u>\$ 2,966.27</u>	<u>\$ 4,153.80</u>

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THE COUNTY OF SHELBY  
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	CHEM EMERGENCY PREPAREDNESS				HAZ MAT EMERG. PREPAREDNESS			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	20.00	-	1,700.00	-	-	-	2,800.00	-
Charges for Services	-	-	-	-	-	-	-	-
Interest	15.00	8.88	20.00	18.36	20.00	8.06	20.00	16.55
Other	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	35.00	8.88	1,720.00	18.36	20.00	8.06	2,820.00	16.55
DISBURSEMENTS								
Expenses	5,500.00	26.98	5,500.00	1,029.79	6,000.00	446.51	4,500.00	486.56
Other	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	5,500.00	26.98	5,500.00	1,029.79	6,000.00	446.51	4,500.00	486.56
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,465.00)	(18.10)	(3,780.00)	(1,011.43)	(5,980.00)	(438.45)	(1,680.00)	(470.01)
CASH AND INVESTMENT BALANCES, JANUARY 1	6,384.54	6,384.54	7,395.97	7,395.97	6,048.56	6,048.56	6,518.57	6,518.57
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 919.54</u>	<u>\$ 6,366.44</u>	<u>\$ 3,615.97</u>	<u>\$ 6,384.54</u>	<u>\$ 68.56</u>	<u>\$ 5,610.11</u>	<u>\$ 4,838.57</u>	<u>\$ 6,048.56</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	ELECTION SERVICES				COLLECTOR'S TAX MAINTENANCE FUND			
	2011		2010		2011		2010	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Services	450.00	508.80	600.00	495.08	7,372.00	7,581.03	7,700.00	8,272.96
Interest	5.00	3.48	10.00	7.32	14.00	28.68	60.00	48.37
Other	-	-	-	-	-	-	-	-
Transfer In	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	455.00	512.28	610.00	502.40	7,386.00	7,609.71	7,760.00	8,321.33
DISBURSEMENTS								
Expenses	2,425.00	302.74	3,245.00	835.05	11,691.00	6,408.26	12,700.00	4,577.47
Other	-	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-	-
TOTAL DISBURSEMENTS	2,425.00	302.74	3,245.00	835.05	11,691.00	6,408.26	12,700.00	4,577.47
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,970.00)	209.54	(2,635.00)	(332.65)	(4,305.00)	1,201.45	(4,940.00)	3,743.86
CASH AND INVESTMENT BALANCES, JANUARY 1	2,375.39	2,375.39	2,708.04	2,708.04	18,367.85	18,367.85	14,623.99	14,623.99
CASH AND INVESTMENT BALANCES, DECEMBER 31	\$ 405.39	\$ 2,584.93	\$ 73.04	\$ 2,375.39	\$ 14,062.85	\$ 19,569.30	\$ 9,683.99	\$ 18,367.85

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH AND INVESTMENT BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>LAW ENFORCEMENT RESTITUTION FUND</u>			
	<u>2011</u>		<u>2010</u>	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for Services	11,000.00	17,484.25	5,500.00	11,923.75
Interest	-	19.50	30.00	19.40
Other	-	-	-	-
Transfer In	-	-	-	-
TOTAL RECEIPTS	11,000.00	17,503.75	5,530.00	11,943.15
DISBURSEMENTS				
Expenses	10,000.00	9,800.36	12,000.00	6,609.23
Other	-	-	-	-
Transfer Out	-	-	-	-
TOTAL DISBURSEMENTS	10,000.00	9,800.36	12,000.00	6,609.23
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000.00	7,703.39	(6,470.00)	5,333.92
CASH AND INVESTMENT BALANCES, JANUARY 1	11,844.35	11,844.35	6,510.43	6,510.43
CASH AND INVESTMENT BALANCES, DECEMBER 31	<u>\$ 12,844.35</u>	<u>\$ 19,547.74</u>	<u>\$ 40.43</u>	<u>\$ 11,844.35</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
AGENCY FUNDS - REGULATORY BASIS  
AS OF DECEMBER 31, 2011

	<b>Cerf &amp; Fed Tax Deposit</b>	<b>Dep. Sheriffs' Salary Supp.</b>	<b>Cemeteries</b>	<b>Civil &amp; Criminal</b>	<b>Surplus Land</b>
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ 376.16
INVESTMENTS	-	-	37,765.03	-	-
<b>TOTAL ASSETS</b>	-	-	37,765.03	-	376.16
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	37,765.03	-	376.16
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,765.03</b>	<b>\$ -</b>	<b>\$ 376.16</b>
	<b>Unclaimed Fees</b>	<b>School Fund Principal</b>	<b>Schools</b>	<b>Salt River N.H. District</b>	<b>Clarence N.H. District</b>
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ 3,353.60	\$ 27,910.70	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
<b>TOTAL ASSETS</b>	3,353.60	27,910.70	-	-	-
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	3,353.60	27,910.70	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,353.60</b>	<b>\$ 27,910.70</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>Salt River Amb. District</b>	<b>Monroe City Amb. District</b>	<b>Shelby Co H.U. District</b>	<b>Shelbina Fire Prot. District</b>	<b>Western Lewis Co. Fire Prot. Dist.</b>
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
<b>TOTAL ASSETS</b>	-	-	-	-	-
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>Shelbina Spec. Road Dist.</b>	<b>Cities</b>	<b>Collector</b>	<b>Employee Fund Account</b>	<b>Sheriff General Account</b>
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ 4,135,132.66	\$ 64.14	\$ -
INVESTMENTS	-	-	-	-	-
<b>TOTAL ASSETS</b>	-	-	4,135,132.66	64.14	-
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	4,135,132.66	64.14	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,135,132.66</b>	<b>\$ 64.14</b>	<b>\$ -</b>
	<b>P.A. Escrow Account</b>	<b>Recorder's Office</b>	<b>Total Agency Funds</b>		
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ 34.50	\$ 4,332.15	\$ 4,171,203.91		
INVESTMENTS	-	-	37,765.03		
<b>TOTAL ASSETS</b>	34.50	4,332.15	4,208,968.94		
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-		
UNRESERVED FUND BALANCES	34.50	4,332.15	4,208,968.94		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 34.50</b>	<b>\$ 4,332.15</b>	<b>\$ 4,208,968.94</b>		

The accompanying notes to the financial statements are an integral part of this statement.



THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
AGENCY FUNDS - REGULATORY BASIS  
AS OF DECEMBER 31, 2010

	Cerf & Fed Tax Deposit	Dep. Sheriffs' Salary Supp.	Cemeteries	Civil & Criminal	Surplus Land
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ 376.16
INVESTMENTS	-	-	37,760.98	-	-
TOTAL ASSETS	-	-	37,760.98	-	376.16
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	37,760.98	-	376.16
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 37,760.98	\$ -	\$ 376.16
	Unclaimed Fees	School Fund Principal	Schools	Salt River N.H. District	Clarence N.H. District
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ 3,477.88	\$ 67,517.33	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	3,477.88	67,517.33	-	-	-
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	3,477.88	67,517.33	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,477.88</u>	<u>\$ 67,517.33</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Salt River Amb. District	Monroe City Amb. District	Shelby Co H.U. District	Shelbina Fire Prot. District	Western Lewis Co. Fire Prot. Dist.
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	-	-	-	-	-
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Shelbina Spec. Road Dist.	Cities	Collector	Employee Fund Account	Sheriff General Account
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ 3,735,413.05	\$ 144.80	\$ -
INVESTMENTS	-	-	-	-	-
TOTAL ASSETS	-	-	3,735,413.05	144.80	-
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-	-	-	-
UNRESERVED FUND BALANCES	-	-	3,735,413.05	144.80	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,735,413.05</u>	<u>\$ 144.80</u>	<u>\$ -</u>
	P.A. Escrow Account	Recorder's Office		Total Agency Funds	
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ 34.50	\$ 3,777.82		\$ 3,810,741.54	
INVESTMENTS	-	-		37,760.98	
TOTAL ASSETS	34.50	3,777.82		3,848,502.52	
<b>LIABILITIES AND FUND BALANCES</b>					
TOTAL LIABILITIES	-	-		-	
UNRESERVED FUND BALANCES	34.50	3,777.82		3,848,502.52	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34.50</u>	<u>\$ 3,777.82</u>		<u>\$ 3,848,502.52</u>	

The accompanying notes to the financial statements are an integral part of this statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Shelby, Missouri (“County”), which is governed by a three-member board of commissioners, was established in 1835 by an Act of the Missouri Territory. In addition to the three Commissioners, there are nine elected Constitutional Officers: County Clerk, Collector, Treasurer, Recorder of Deeds, Sheriff, Assessor, Coroner, Public Administrator and Prosecuting Attorney.

As discussed further in Note I, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

A. Reporting Entity

As required by generally accepted accounting principles, as applicable to the regulatory basis of accounting, these financial statements present financial accountability of the County.

The County’s operations include tax assessments and collections, state/county courts, county recorder, public safety, transportation, economic development, and social and recreation services.

The financial statements referred to above include only the county of Shelby County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County’s legal entity.

B. Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri law, which include a Statement of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following fund types are used by the County:

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

*Governmental Fund Types*

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

*Fiduciary Fund Types*

*Agency* – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similarly to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other officeholders.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The financial statements are prepared on the regulatory basis of accounting. This basis of accounting recognizes amounts when received or disbursed in cash and differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

As a result of the use of this regulatory basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budget and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.
4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

State law requires that budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010, for purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 57,353,584	\$ 56,607,256
Personal Property	26,700,888	27,121,490
Railroad and Utilities	<u>8,676,444</u>	<u>8,207,180</u>
	<u>\$ 92,730,916</u>	<u>\$ 91,935,926</u>

During 2011 and 2010, the County Commission approved a \$0.68 and \$0.68 tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2011 and 2010, for purpose of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$ .3300	\$ .3300
Special Road and Bridge Fund	<u>.3500</u>	<u>.3500</u>
	<u>\$ .6800</u>	<u>\$ .6800</u>

F. Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund are readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are eliminated due to reporting the financial statements on the regulatory basis of accounting.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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II. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed as "Cash and Equivalents" under each fund's caption. Deposits with maturities greater than three months are considered investments. In addition, cash and investments are separately held by several of the County's funds. Investments of the County consist of certificates of deposit with local banking institutions.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amount of the County's deposits was \$679,293.93 and \$755,761.05 and the bank balance was \$738,016.80 and \$948,435.76, respectively. As of December 31, 2011 and 2010, 100% of the County's investments were guaranteed by the U.S. Government.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Included in the following fund financial statement captions:

Statements of Receipts, Disbursements and Changes in Cash  
and Investments – Governmental Funds:

Deposits	\$ 679,293.93
Investments	-
Total Governmental Funds	<u>679,293.93</u>

Statement of Assets and Liabilities Arising From Cash  
Transactions – Agency Funds:

Deposits	4,171,203.91
Investments	<u>37,765.03</u>
Total Agency Funds	<u>4,208,968.94</u>

Total Deposits & Investments as of December 31, 2011	\$ <u><u>4,888,262.87</u></u>
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The carrying values of deposits and investments at December 31, 2010, are as follows:

Included in the following fund financial statement captions:

Statements of Receipts, Disbursements and Changes in Cash  
and Investments – Governmental Funds:

Deposits	\$ 755,761.05
Investments	-
Total Governmental Funds	<u>755,761.05</u>

Statement of Assets and Liabilities Arising From Cash  
Transactions – Agency Funds:

Deposits	3,810,741.54
Investments	<u>37,760.98</u>
Total Agency Funds	<u>3,848,502.52</u>

Total Deposits & Investments as of December 31, 2010	\$ <u><u>4,604,263.57</u></u>
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THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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II. CASH AND INVESTMENTS (concluded)

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the years ended December 31, 2011 and 2010.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's investments were not exposed to concentration of investment credit risk for the years ended December 31, 2011 and 2010.

III. LONG-TERM DEBT

On January 21, 2011 the County entered into a lease purchase with John Deere for a total principal amount of \$150,000. The lease is for a 2010 John Deere 770G Motor Grader. The interest rate is 3.55% with annual lease payments due on January 21<sup>st</sup> of every year and matures on February 21, 2016.

The annual requirements to amortize all lease purchases outstanding as of December 31, 2011, including interest payments, are as follows:

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

III. LONG-TERM DEBT (concluded)

2011 John Deere Lease Purchase

YEARS ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2012	\$ 27,911.52	\$ 5,412.50	\$ 33,324.02
2013	28,918.65	4,405.37	33,324.02
2014	29,962.14	3,361.88	33,324.02
2015	31,043.27	2,280.75	33,324.02
2016	32,164.42	1,160.60	33,325.02
	<u>\$ 150,000.00</u>	<u>\$ 16,621.10</u>	<u>\$ 166,621.10</u>

There is no amortization for 2010 since the loan was taken out in 2011.

On June 8, 2011 the County entered into a lease purchase with Capital Lease for a total principal amount of \$15,875. The lease is for a copier system for the Recorder. The down payment was \$10,000 with a lease final payment of \$5,875 due by February 29, 2012.

The annual requirements to amortize all capital leases outstanding as of December 31, 2011, including interest payments are as follows:

2011 Capital Lease

YEARS ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2012	\$ 5,875.00	\$ 0.00	\$ 5,875.00
	<u>\$ 5,875.00</u>	<u>\$ 0.00</u>	<u>\$ 5,875.00</u>

There is no amortization for 2010 since the loan was taken out in 2011.



THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

IV. INTERFUND TRANSFERS

Transfers between funds for the year ended December 31, 2011 and 2010 are as follows:

	2011		2010	
	Transfers In	Transfers Out	Transfers In	Transfers Out
MAJOR FUNDS				
General Revenue	\$ 13,250.00	\$ 17,601.00	\$ 15,000.00	\$ 16,043.00
Class 3 Road & Bridge	-	13,250.00	-	15,000.00
Assessment	17,601.00	-	16,043.00	-
<b>TOTAL</b>	<b>\$ 30,851.00</b>	<b>\$ 30,851.00</b>	<b>\$ 31,043.00</b>	<b>\$ 31,043.00</b>

Transfers are used to (1) move receipts from the fund which that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county ( which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first-class, non-charter county, which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000, could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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V. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (concluded)

B. Pension Benefits

All benefits vest after 8 years of creditable service. Employees who retire on or after 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost of living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schotthill Woods Drive, Jefferson City, MO 65101, or by calling 1-573-632-9203.

C. Funding Policy

Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of Missouri Legislature. During 2011 and 2010, the Primary Government collected and remitted to CERF, employee contributions of approximately \$10,354.20 and \$10,166.15 respectively, for the year then ended.

VI. PROSECUTING ATTORNEY RETIREMENT FUND

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,244, respectively, for the years ended December 31, 2011 and 2010.

VII. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County. There were zero participants for COBRA at December 31, 2011 and 2010.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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VIII. CLAIMS, COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is not involved in pending litigation at December 31, 2011.

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuous service. Vacation days do not carry forward if they are unused. Upon termination, an employee will not be reimbursed for any unused vacation days. Employees earn seven (7) or eight (8) hours of sick leave per month depending on their normal day. The County allows employees to carry forward sick leave and cannot be accrued beyond sixty days total. An employee will not be reimbursed for unused sick leave. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

IX. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. Insurance is obtained from commercial insurance companies. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool, which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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X. ACCOUNTING CHANGE

For the years ended December 31, 2011 and December 31, 2010, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the notes to the financial statements.

XI. SUBSEQUENT EVENTS

There are no subsequent events to report up to the date of the audit report.

**SUPPLEMENTARY SCHEDULES AND AUDITOR'S REPORT**

## **STATE COMPLIANCE SECTION**

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
SCHEDULE OF STATE FINDINGS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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SCHEDULE OF STATE FINDINGS

For the year ended December 31, 2011, actual expenditures exceeded budget in the 911 fund, assessment fund and the post fund.

## **FEDERAL COMPLIANCE SECTION**





**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission  
The County of Shelby, Missouri

We have audited the financial statements of the County of Shelby ("County"), Missouri, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 20, 2012. The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (FS 10/11-01, FS 10/11-02, FS 10/11-03, FS 10/11-04). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated June 20, 2012.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

June 20, 2012

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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I. FINANCIAL STATEMENT FINDINGS

FS 10/11-01     Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency. SAS No. 115 supersedes SAS No. 112.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During discussions with management, we noted that we will be assisting the County with the preparation of its audited financial statements and footnotes.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 115 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Views of responsible officials and planned corrective actions: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual financial statement.

FS 10/11-02     Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
YEARS ENDED DECEMBER 31, 2011 AND 2010

---

I. FINANCIAL STATEMENT FINDINGS (continued)

FS 10/11-02     Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to further understand the COSO internal controls.

FS 10/11-03     Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.

FS 10/11-04     Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit*: An Amendment to SAS No. 55.

Condition: Lack of sufficient segregation of duties within the office of the Recorder and Collector.

Context: During the audit, we noted that the Recorder and Collector are allowed to write, approve, sign and reconcile expenditures to the bank statement.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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I. FINANCIAL STATEMENT FINDINGS (concluded)

Effect: The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Cause: Size and budget constraints limiting the number of personnel within each of the corresponding departments.

Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.

THE COUNTY OF SHELBY  
SHELBYVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEARS ENDED DECEMBER 31, 2011 AND 2010

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I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings related to internal control and compliance.



# Daniel Jones & Associates

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Commissioners  
County of Shelby

In planning and performing our audit of the financial statements of the County of Shelby (County) as of and for the years ended December 31, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency, is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the County's internal control to be significant deficiencies as noted in section I.

Our comments concerning internal control and other material and significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County of Shelby's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the County Commission, County Officeholders, Missouri State Auditor and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Daniel Jones & Associates*

Daniel Jones & Associates, P.C.  
Certified Public Accountants  
June 20, 2012

## I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

**FS 10/11-01**      Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency. SAS No. 115 supersedes SAS No. 112.

Condition: During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

Context: During discussions with management, we noted that we will be assisting the County with the preparation of its audited financial statements and footnotes.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 115 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

Views of responsible officials and planned corrective actions: The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the County's annual budget document and annual financial statement.

**FS 10/11-02**      Criteria: Statements on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the County's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The County did not prepare the required documentation.

Recommendation: We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.



## I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (concluded)

- FS 10/11-02      Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to further understand the COSO internal controls.
- FS 10/11-03      Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- Condition: During our audit, we noted there is no formal risk assessment in place.
- Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.
- Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.
- Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.
- Recommendation: We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.
- Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.
- FS 10/11-04      Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit*: An Amendment to SAS No. 55.
- Condition: Lack of sufficient segregation of duties within the office of the Recorder and Collector.
- Context: During the audit, we noted that the Recorder and Collector are allowed to write, approve, sign and reconcile expenditures to the bank statement.
- Effect: The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.
- Cause: Size and budget constraints limiting the number of personnel within each of the corresponding departments.
- Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties.
- Views of responsible officials and planned corrective actions: The County is willing to review this recommendation with the auditor to determine various risk assessments.

## II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

Statements on Auditing Standards (SAS) 118, *Other Information in Documents Containing Audited Financial Statements*, is effective for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted. This Standard supersedes the requirements and guidance in AU section 550. Along with SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, this SAS also supersedes the requirements and guidance in AU section 551. This Standard

- eliminates the distinction between other information that is included in an auditor-submitted document that contains the client's basic financial statements and the auditor's report thereon and other information that is in a client-prepared document.
- establishes a presumptively mandatory performance requirements, including that the auditor read the other information of which the auditor is aware in order to identify material inconsistencies, if any, with the audited financial statements.
- establishes presumptively mandatory performance and reporting requirements when the auditor identifies a material inconsistency with other information and the financial statements.
- establishes mandatory performance requirements when the auditor becomes aware of an apparent material misstatement of fact in the other information.

SAS 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, is effective for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted. This Standard supersedes the requirements and guidance in AU section 550. Along with SAS No. 118, *Other Information in Documents Containing Audited Financial Statements* supersedes the requirements and guidance in AU section 551. This Standard

- establishes preconditions in order to opine on whether supplementary information is fairly stated in relation to the financial statements as a whole.
- establishes presumptively mandatory performance requirements in order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.
- establishes presumptively mandatory reporting requirements when the entity presents the supplementary information with the financial statements and when the audited financial statements are not presented with the supplementary information.
- establishes a preclusion from expressing an opinion on supplementary information when the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion and the auditor has been engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

### Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 22, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the regulatory basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered County of Shelby's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.

### III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (continued)

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 22, 2012.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Shelby are described in Note I to the financial statements. As described in Note X for the years ended December 31, 2011, and December 31, 2010, the County has elected to change its accounting method from a modified cash basis to the regulatory basis of accounting. This basis recognizes assets, liabilities, fund balance, receipts, and disbursements when they result from cash transactions with a provision for investments and settlements pending (if applicable). The regulatory basis differs from the accounting principles generally accepted in the United States of America and is described in Note I of the Notes to the financial statements. The new method of accounting presentation was implemented to conform with Missouri State Law. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)**

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2012.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Polk County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Polk County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

August 2012  
Report No. 2012-90

**POLK COUNTY, MISSOURI**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2011 and 2010**

# POLK COUNTY, MISSOURI

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DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

[www.dlmcpa.com](http://www.dlmcpa.com)  
e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

## **INDEPENDENT AUDITORS' REPORT**

Polk County Commission  
Polk County  
Bolivar, Missouri

We have audited the accompanying financial statements of Polk County, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Polk County, Missouri, as of December 31, 2011 and 2010, or the changes in financial position for the years then ended.



Polk County Commission  
Polk County  
Bolivar, Missouri

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of Polk County, Missouri, as of and for the years ended December 31, 2011 and 2010, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, that were prepared on the basis of accounting described in Note A.

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
June 22, 2012

POLK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT  
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS  
Year Ended December 31, 2011

FUND	Cash and Investment Balance January 1	Receipts	Disbursements	Cash and Investment Balance December 31
General Revenue	\$ 1,097,871	\$ 1,522,996	\$ 2,148,122	\$ 472,745
Special Road and Bridge	-	3,179,359	3,118,012	61,347
Assessment	40,623	297,641	253,600	84,664
Law Enforcement Training	11,282	7,622	7,850	11,054
Prosecuting Attorney Training	1,856	1,170	2,881	145
Law Enforcement Sales Tax	-	2,242,947	2,242,947	-
Capital Improvement Sales Tax	483,322	1,308,202	1,509,702	281,822
Emergency 911	12,862	294,881	307,743	-
Child Support Enforcement	18,182	137,888	156,070	-
Prosecuting Attorney Bad Check	427	12,383	12,810	-
Recorder User Fee	19,353	16,739	22,276	13,816
Sheriff Civil Fees	46,216	47,064	34,484	58,796
Moore Cemetery Trust	3,513	126	360	3,279
Veterans Memorial	3,226	19	-	3,245
Election Services	22,083	9,698	3,413	28,368
Collector Tax Maintenance	32,155	30,557	38,690	24,022
Senate Bill 40 Board	56,067	55,755	54,410	57,412
Sheriff Special Operations	3,583	-	-	3,583
Senior Service Tax	57,148	133,827	142,348	48,627
Law Enforcement Restitution	28,899	25,815	19,668	35,046
Special Election	500	50,700	49,833	1,367
Inmate Fee Fund	5,358	2,202	-	7,560
Special Trust	1,258	7,142	-	8,400
Juvenile Detention	9,616	556	-	10,172
TOTAL	<u>\$ 1,955,400</u>	<u>\$ 9,385,289</u>	<u>\$ 10,125,219</u>	<u>\$ 1,215,470</u>

See accompanying notes.

POLK COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT  
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS  
Year Ended December 31, 2010

FUND	Cash and Investment Balance	Receipts	Disbursements	Cash and Investment Balance
	January 1			December 31
General Revenue	\$ 1,558,671	\$ 1,612,136	\$ 2,072,936	\$ 1,097,871
Special Road and Bridge	-	4,083,170	4,083,170	-
Assessment	35,597	307,000	301,974	40,623
Law Enforcement Training	13,051	9,406	11,175	11,282
Prosecuting Attorney Training	3,133	1,421	2,698	1,856
Law Enforcement Sales Tax	-	2,233,850	2,233,850	-
Capital Improvement Sales Tax	767,220	1,281,078	1,564,976	483,322
Emergency 911	5,025	275,135	267,298	12,862
Child Support Enforcement	10,560	168,365	160,743	18,182
Prosecuting Attorney Bad Check	-	14,547	14,120	427
Recorder User Fee	10,970	15,825	7,442	19,353
Sheriff Civil Fees	61,191	44,507	59,482	46,216
Moore Cemetery Trust	3,837	36	360	3,513
Local Emergency Planning Committee	8,910	-	8,910	-
Veterans Memorial	3,199	27	-	3,226
Election Services	21,396	5,577	4,890	22,083
Collector Tax Maintenance	38,328	30,078	36,251	32,155
Senate Bill 40 Board	51,225	55,460	50,618	56,067
Sheriff Special Operations	3,583	-	-	3,583
Senior Service Tax	48,956	133,414	125,222	57,148
Law Enforcement Restitution	28,283	26,616	26,000	28,899
Special Election	500	43,936	43,936	500
Inmate Fee Fund	1,766	3,592	-	5,358
Special Trust	3,494	25,444	27,680	1,258
Juvenile Detention	34,594	4,022	29,000	9,616
TOTAL	<u>\$ 2,713,489</u>	<u>\$ 10,374,642</u>	<u>\$ 11,132,731</u>	<u>\$ 1,955,400</u>

Note: For the year ended December 31, 2010, the Special Election and Inmate Fee Fund are included in the County's financial statements.

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 877,000	\$ 879,465	\$ 2,465	\$ 867,600	\$ 877,622	\$ 10,022
Other taxes	2,900	3,983	1,083	2,605	2,965	360
Intergovernmental	176,165	122,463	(53,702)	208,144	129,410	(78,734)
Charges for services	425,700	490,888	65,188	513,505	512,660	(845)
Interest	15,000	11,095	(3,905)	36,000	19,197	(16,803)
Other	88,500	7,142	(81,358)	13,000	1,957	(11,043)
Transfers in	15,710	7,960	(7,750)	77,600	68,325	(9,275)
TOTAL RECEIPTS	1,600,975	1,522,996	(77,979)	1,718,454	1,612,136	(106,318)
DISBURSEMENTS						
County Operations	553,514	571,671	(18,157)	562,409	461,173	101,236
County Commission	114,190	113,844	346	110,060	113,300	(3,240)
County Clerk	82,476	78,896	3,580	98,348	94,661	3,687
Elections	138,776	83,297	55,479	196,490	192,067	4,423
Buildings and grounds	205,959	186,788	19,171	190,200	182,518	7,682
County Treasurer	70,060	59,891	10,169	79,015	60,211	18,804
County Collector	135,918	133,936	1,982	134,674	129,944	4,730
Recorder of Deeds	107,861	95,411	12,450	113,048	99,926	13,122
Associate Circuit Court	1,374	1,319	55	1,444	1,169	275
Associate Circuit Clerk	64,500	52,568	11,932	85,656	46,323	39,333
Public Administrator	72,870	72,799	71	56,900	56,900	-
Judicial	9,058	1,854	7,204	2,900	1,775	1,125
Transfers out	907,496	695,848	211,648	954,160	632,969	321,191
TOTAL DISBURSEMENTS	2,464,052	2,148,122	315,930	2,585,304	2,072,936	512,368
RECEIPTS (UNDER)						
DISBURSEMENTS	(863,077)	(625,126)	237,951	(866,850)	(460,800)	406,050
CASH AND INVESTMENT						
BALANCE, January 1	1,097,871	1,097,871	-	1,558,671	1,558,671	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 234,794	\$ 472,745	\$ 237,951	\$ 691,821	\$ 1,097,871	\$ 406,050

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Taxes	\$ 1,336,060	\$ 1,330,900	\$ (5,160)	\$ 1,325,900	\$ 1,340,422	\$ 14,522
Intergovernmental	1,460,000	503,454	(956,546)	1,005,950	1,349,403	343,453
Interest	800	455	(345)	-	841	841
Other	500	1,447	947	500	3,020	2,520
Transfers in	1,450,000	1,343,103	(106,897)	1,773,598	1,389,484	(384,114)
TOTAL RECEIPTS	4,247,360	3,179,359	(1,068,001)	4,105,948	4,083,170	(22,778)
DISBURSEMENTS						
Salaries	506,500	522,655	(16,155)	555,868	541,073	14,795
Employee fringe benefits	205,500	201,201	4,299	198,000	195,936	2,064
Supplies	56,000	73,362	(17,362)	58,500	47,015	11,485
Insurance	48,000	47,805	195	44,800	47,513	(2,713)
Equipment purchases	100,000	22,714	77,286	110,000	51,456	58,544
Construction, repair, and maintenance	2,893,400	1,961,769	931,631	2,755,500	2,965,825	(210,325)
Other	268,080	288,506	(20,426)	273,280	234,352	38,928
Transfers out	-	-	-	110,000	-	110,000
TOTAL DISBURSEMENTS	4,077,480	3,118,012	959,468	4,105,948	4,083,170	22,778
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	169,880	61,347	(108,533)	-	-	-
CASH AND INVESTMENT						
BALANCE, January 1	-	-	-	-	-	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 169,880	\$ 61,347	\$ (108,533)	\$ -	\$ -	\$ -
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 264,225	\$ 255,622	\$ (8,603)	\$ 224,339	\$ 264,225	\$ 39,886
Interest	606	776	170	2,000	606	(1,394)
Other	7,600	10,015	2,415	11,499	4,050	(7,449)
Transfers in	31,228	31,228	-	38,119	38,119	-
TOTAL RECEIPTS	303,659	297,641	(6,018)	275,957	307,000	31,043
DISBURSEMENTS						
Assessor	273,348	253,000	20,348	290,024	278,394	11,630
Transfer out	600	600	-	21,530	23,580	(2,050)
TOTAL DISBURSEMENTS	273,948	253,600	20,348	311,554	301,974	9,580
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	29,711	44,041	14,330	(35,597)	5,026	40,623
CASH AND INVESTMENT						
BALANCE, January 1	40,623	40,623	-	35,597	35,597	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 70,334	\$ 84,664	\$ 14,330	\$ -	\$ 40,623	\$ 40,623

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW ENFORCEMENT</u>						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 5,000	\$ 4,626	\$ (374)	\$ 4,800	\$ 5,641	\$ 841
Other	2,350	2,996	646	100	3,765	3,665
TOTAL RECEIPTS	7,350	7,622	272	4,900	9,406	4,506
DISBURSEMENTS						
Sheriff	11,000	7,850	3,150	15,000	11,175	3,825
TOTAL DISBURSEMENTS	11,000	7,850	3,150	15,000	11,175	3,825
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,650)	(228)	3,422	(10,100)	(1,769)	8,331
CASH AND INVESTMENT BALANCE, January 1	11,282	11,282	-	13,051	13,051	-
CASH AND INVESTMENT BALANCE, December 31	\$ 7,632	\$ 11,054	\$ 3,422	\$ 2,951	\$ 11,282	\$ 8,331
<u>PROSECUTING ATTORNEY</u>						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 1,500	\$ 1,170	\$ (330)	\$ 1,300	\$ 1,421	\$ 121
TOTAL RECEIPTS	1,500	1,170	(330)	1,300	1,421	121
DISBURSEMENTS						
Prosecuting Attorney	3,300	2,881	419	3,700	2,698	1,002
TOTAL DISBURSEMENTS	3,300	2,881	419	3,700	2,698	1,002
RECEIPTS (UNDER) DISBURSEMENTS	(1,800)	(1,711)	89	(2,400)	(1,277)	1,123
CASH AND INVESTMENT BALANCE, January 1	1,856	1,856	-	3,133	3,133	-
CASH AND INVESTMENT BALANCE, December 31	\$ 56	\$ 145	\$ 89	\$ 733	\$ 1,856	\$ 1,123

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW ENFORCEMENT</u>						
<u>SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	\$ 1,235,000	\$ 1,304,048	\$ 69,048	\$ 1,167,000	\$ 1,273,681	\$ 106,681
Intergovernmental	29,807	143,175	113,368	164,454	193,331	28,877
Charges for services	134,000	121,737	(12,263)	150,000	133,691	(16,309)
Interest	250	119	(131)	700	282	(418)
Other	169,700	1,771	(167,929)	2,964	27,523	24,559
Transfers in	857,406	672,097	(185,309)	925,161	605,342	(319,819)
TOTAL RECEIPTS	2,426,163	2,242,947	(183,216)	2,410,279	2,233,850	(176,429)
DISBURSEMENTS						
Sheriff	1,087,920	994,377	93,543	1,088,798	999,438	89,360
Jail	536,925	479,428	57,497	588,176	507,508	80,668
Prosecuting Attorney	269,973	255,015	14,958	252,468	239,696	12,772
Juvenile Officer	50,563	51,577	(1,014)	51,917	56,356	(4,439)
Coroner	45,200	33,476	11,724	47,000	34,740	12,260
Fringe Benefits	435,582	428,704	6,878	380,956	395,148	(14,192)
Transfer out	-	370	(370)	964	964	-
TOTAL DISBURSEMENTS	2,426,163	2,242,947	183,216	2,410,279	2,233,850	176,429
RECEIPTS OVER (UNDER)	-	-	-	-	-	-
DISBURSEMENTS	-	-	-	-	-	-
CASH AND INVESTMENT	-	-	-	-	-	-
BALANCE, January 1	-	-	-	-	-	-
CASH AND INVESTMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BALANCE, December 31	-	-	-	-	-	-
<u>CAPITAL IMPROVEMENT</u>						
<u>SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	\$ 1,235,000	\$ 1,304,005	\$ 69,005	\$ 1,167,000	\$ 1,273,604	\$ 106,604
Other	7,000	4,197	(2,803)	15,000	7,474	(7,526)
TOTAL RECEIPTS	1,242,000	1,308,202	66,202	1,182,000	1,281,078	99,078
DISBURSEMENTS						
Special Road Districts	160,000	166,599	(6,599)	150,000	175,492	(25,492)
Transfers out	1,450,000	1,343,103	106,897	1,773,598	1,389,484	384,114
TOTAL DISBURSEMENTS	1,610,000	1,509,702	100,298	1,923,598	1,564,976	358,622
RECEIPTS (UNDER)	(368,000)	(201,500)	166,500	(741,598)	(283,898)	457,700
DISBURSEMENTS	-	-	-	-	-	-
CASH AND INVESTMENT	483,322	483,322	-	767,220	767,220	-
BALANCE, January 1	-	-	-	-	-	-
CASH AND INVESTMENT	\$ 115,322	\$ 281,822	\$ 166,500	\$ 25,622	\$ 483,322	\$ 457,700
BALANCE, December 31	-	-	-	-	-	-

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for services	\$ 273,958	\$ 294,820	\$ 20,862	\$ 262,173	\$ 275,072	\$ 12,899
Interest	60	61	1	100	63	(37)
TOTAL RECEIPTS	274,018	294,881	20,863	262,273	275,135	12,862
DISBURSEMENTS						
Central dispatch	286,800	307,743	(20,943)	267,298	267,298	-
TOTAL DISBURSEMENTS	286,800	307,743	(20,943)	267,298	267,298	-
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(12,782)	(12,862)	(80)	(5,025)	7,837	12,862
CASH AND INVESTMENT						
BALANCE, January 1	12,862	12,862	-	5,025	5,025	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 80	\$ -	\$ (80)	\$ -	\$ 12,862	\$ 12,862
<u>CHILD SUPPORT</u>						
<u>ENFORCEMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 157,291	\$ 131,925	\$ (25,366)	\$ 162,065	\$ 164,661	\$ 2,596
Interest	-	740	740	-	75	75
Transfer in	11,937	5,223	(6,714)	8,610	3,629	(4,981)
TOTAL RECEIPTS	169,228	137,888	(31,340)	170,675	168,365	(2,310)
DISBURSEMENTS						
Child support enforcement	169,228	156,070	13,158	162,565	160,743	1,822
Transfer out	3,184	-	3,184	-	-	-
TOTAL DISBURSEMENTS	172,412	156,070	16,342	162,565	160,743	1,822
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(3,184)	(18,182)	(14,998)	8,110	7,622	(488)
CASH AND INVESTMENT						
BALANCE, January 1	18,182	18,182	-	10,560	10,560	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 14,998	\$ -	\$ (14,998)	\$ 18,670	\$ 18,182	\$ (488)

See accompanying notes.



POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>PROSECUTING ATTORNEY</u>						
<u>BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 14,000	\$ 12,233	\$ (1,767)	\$ 14,000	\$ 14,480	\$ 480
Interest	-	40	40	120	67	(53)
Other	-	110	110	-	-	-
TOTAL RECEIPTS	14,000	12,383	(1,617)	14,120	14,547	427
DISBURSEMENTS						
MOPS	-	110	(110)	-	-	-
Transfer out	14,000	12,700	1,300	14,120	14,120	-
TOTAL DISBURSEMENTS	14,000	12,810	1,190	14,120	14,120	-
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	-	(427)	(427)	-	427	427
CASH AND INVESTMENT						
BALANCE, January 1	427	427	-	-	-	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 427	\$ -	\$ (427)	\$ -	\$ 427	\$ 427
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	\$ 18,000	\$ 16,566	\$ (1,434)	\$ 20,000	\$ 15,700	\$ (4,300)
Interest	200	173	(27)	300	125	(175)
TOTAL RECEIPTS	18,200	16,739	(1,461)	20,300	15,825	(4,475)
DISBURSEMENTS						
Recorder of Deeds	30,000	22,276	7,724	29,000	7,442	21,558
TOTAL DISBURSEMENTS	30,000	22,276	7,724	29,000	7,442	21,558
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(11,800)	(5,537)	6,263	(8,700)	8,383	17,083
CASH AND INVESTMENT						
BALANCE, January 1	19,353	19,353	-	10,970	10,970	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 7,553	\$ 13,816	\$ 6,263	\$ 2,270	\$ 19,353	\$ 17,083

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	\$ 40,000	\$ 45,691	\$ 5,691	\$ 50,000	\$ 43,568	\$ (6,432)
Interest	300	387	87	500	939	439
Other	-	986	986	-	-	-
TOTAL RECEIPTS	40,300	47,064	6,764	50,500	44,507	(5,993)
DISBURSEMENTS						
Sheriff	80,000	34,484	45,516	75,000	59,482	15,518
TOTAL DISBURSEMENTS	80,000	34,484	45,516	75,000	59,482	15,518
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(39,700)	12,580	52,280	(24,500)	(14,975)	9,525
CASH AND INVESTMENT BALANCE, January 1	46,216	46,216	-	61,191	61,191	-
CASH AND INVESTMENT BALANCE, December 31	\$ 6,516	\$ 58,796	\$ 52,280	\$ 36,691	\$ 46,216	\$ 9,525
<u>MOORE CEMETERY TRUST FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ 100	\$ 100	\$ -	\$ -	\$ -
Interest	50	26	(24)	75	36	(39)
TOTAL RECEIPTS	50	126	76	75	36	(39)
DISBURSEMENTS						
Other	-	-	-	660	-	660
Transfer out	660	360	300	-	360	(360)
TOTAL DISBURSEMENTS	660	360	300	660	360	300
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(610)	(234)	376	(585)	(324)	261
CASH AND INVESTMENT BALANCE, January 1	3,513	3,513	-	3,837	3,837	-
CASH AND INVESTMENT BALANCE, December 31	\$ 2,903	\$ 3,279	\$ 376	\$ 3,252	\$ 3,513	\$ 261

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LOCAL EMERGENCY PLANNING</u>						
<u>COMMITTEE FUND</u>						
RECEIPTS						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
TOTAL RECEIPTS	-	-	-	-	-	-
DISBURSEMENTS						
Transfer out	-	-	-	8,910	8,910	-
TOTAL DISBURSEMENTS	-	-	-	8,910	8,910	-
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	-	-	-	(8,910)	(8,910)	-
CASH AND INVESTMENT						
BALANCE, January 1	-	-	-	8,910	8,910	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>VETERANS MEMORIAL FUND</u>						
RECEIPTS						
Interest income	\$ 50	\$ 19	\$ (31)	\$ 50	\$ 27	\$ (23)
TOTAL RECEIPTS	50	19	(31)	50	27	(23)
DISBURSEMENTS						
Elections	200	-	200	200	-	200
TOTAL DISBURSEMENTS	200	-	200	200	-	200
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(150)	19	169	(150)	27	177
CASH AND INVESTMENT						
BALANCE, January 1	3,226	3,226	-	3,199	3,199	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ 3,076</u>	<u>\$ 3,245</u>	<u>\$ 169</u>	<u>\$ 3,049</u>	<u>\$ 3,226</u>	<u>\$ 177</u>

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 1,500	\$ -	\$ (1,500)	\$ -	\$ -	\$ -
Charges for services	150	3,293	3,143	3,700	2,241	(1,459)
Interest	2,000	167	(1,833)	320	192	(128)
Other	-	6,238	6,238	2,200	3,144	944
TOTAL RECEIPTS	3,650	9,698	6,048	6,220	5,577	(643)
DISBURSEMENTS						
Election services	6,000	3,413	2,587	6,000	4,890	1,110
TOTAL DISBURSEMENTS	6,000	3,413	2,587	6,000	4,890	1,110
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(2,350)	6,285	8,635	220	687	467
CASH, January 1	22,083	22,083	-	21,396	21,396	-
CASH, December 31	\$ 19,733	\$ 28,368	\$ 8,635	\$ 21,616	\$ 22,083	\$ 467
<u>COLLECTOR TAX</u>						
<u>MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 30,000	\$ 29,301	\$ (699)	\$ 30,000	\$ 29,638	\$ (362)
Interest	400	278	(122)	850	440	(410)
Other	-	978	978	-	-	-
TOTAL RECEIPTS	30,400	30,557	157	30,850	30,078	(772)
DISBURSEMENTS						
Collector	30,575	31,690	(1,115)	30,060	36,251	(6,191)
Transfer out	7,000	7,000	-	-	-	-
TOTAL DISBURSEMENTS	37,575	38,690	(1,115)	30,060	36,251	(6,191)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(7,175)	(8,133)	(958)	790	(6,173)	(6,963)
CASH, January 1	32,155	32,155	-	38,328	38,328	-
CASH, December 31	\$ 24,980	\$ 24,022	\$ (958)	\$ 39,118	\$ 32,155	\$ (6,963)

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	\$ 48,500	\$ 55,471	\$ 6,971	\$ 48,000	\$ 55,051	\$ 7,051
Interest	500	284	(216)	1,000	409	(591)
TOTAL RECEIPTS	49,000	55,755	6,755	49,000	55,460	6,460
DISBURSEMENTS						
Contractual services	79,822	52,767	27,055	79,957	49,054	30,903
Office expenses	1,613	1,643	-	1,628	1,564	64
TOTAL DISBURSEMENTS	81,435	54,410	27,055	81,585	50,618	30,903
RECEIPTS OVER DISBURSEMENTS	(32,435)	1,345	33,810	(32,585)	4,842	37,363
CASH, January 1	56,067	56,067	-	51,225	51,225	-
CASH, December 31	<u>\$ 23,632</u>	<u>\$ 57,412</u>	<u>\$ 33,810</u>	<u>\$ 18,640</u>	<u>\$ 56,067</u>	<u>\$ 37,363</u>
<u>SHERIFF SPECIAL OPERATIONS FUND</u>						
RECEIPTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL RECEIPTS	-	-	-	-	-	-
DISBURSEMENTS						
Sheriff	-	-	-	-	-	-
TOTAL DISBURSEMENTS	-	-	-	-	-	-
RECEIPTS OVER DISBURSEMENTS	-	-	-	-	-	-
CASH, January 1		3,583	3,583		3,583	3,583
CASH, December 31	<u>\$ -</u>	<u>\$ 3,583</u>	<u>\$ 3,583</u>	<u>\$ -</u>	<u>\$ 3,583</u>	<u>\$ 3,583</u>

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SENIOR SERVICE TAX FUND</u>						
RECEIPTS						
Property taxes	\$ 122,274	\$ 133,284	\$ 11,010	\$ 120,657	\$ 132,715	\$ 12,058
Other taxes	50	73	23	94	151	57
Interest income	500	470	(30)	1,111	548	(563)
TOTAL RECEIPTS	122,824	133,827	11,003	121,862	133,414	11,552
DISBURSEMENTS						
Contractual services	174,972	142,348	32,624	165,819	125,222	40,597
TOTAL DISBURSEMENTS	174,972	142,348	32,624	165,819	125,222	40,597
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(52,148)	(8,521)	43,627	(43,957)	8,192	52,149
CASH, January 1	57,148	57,148	-	48,956	48,956	-
CASH, December 31	\$ 5,000	\$ 48,627	\$ 43,627	\$ 4,999	\$ 57,148	\$ 52,149
<u>LAW ENFORCEMENT RESTITUTION FUND</u>						
RECEIPTS						
Charges for services	\$ 20,102	\$ 25,139	\$ 5,037	\$ 15,000	\$ 26,257	\$ 11,257
Interest	300	206	(94)	260	359	99
Other	100	100	-	-	-	-
Transfer in	-	370	370	-	-	-
TOTAL RECEIPTS	20,502	25,815	5,313	15,260	26,616	11,356
DISBURSEMENTS						
Sheriff	49,400	19,668	29,732	41,952	26,000	15,952
TOTAL DISBURSEMENTS	49,400	19,668	29,732	41,952	26,000	15,952
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(28,898)	6,147	35,045	(26,692)	616	27,308
CASH, January 1	28,899	28,899	-	28,283	28,283	-
CASH, December 31	\$ 1	\$ 35,046	\$ 35,045	\$ 1,591	\$ 28,899	\$ 27,308

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ELECTION FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 50,181	\$ 50,181	\$ -	\$ 43,916	\$ 43,916
Other	-	519	519	-	20	20
TOTAL RECEIPTS	-	50,700	50,700	-	43,936	43,936
DISBURSEMENTS						
Election services	-	49,833	(49,833)	-	37,460	(37,460)
Transfer out	-	-	-	-	6,476	(6,476)
TOTAL DISBURSEMENTS	-	49,833	(49,833)	-	43,936	(43,936)
RECEIPTS OVER DISBURSEMENTS	-	867	867	-	-	-
CASH, January 1	-	500	500	-	500	500
CASH, December 31	<u>\$ -</u>	<u>\$ 1,367</u>	<u>\$ 1,367</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>
<u>INMATE FEE FUND</u>						
RECEIPTS						
Intergovernmental	\$ -	\$ 2,202	\$ 2,202	\$ 1,500	\$ 2,628	\$ 1,128
Charges for services	1,500	-	(1,500)	-	-	-
Transfer in	-	-	-	-	964	964
TOTAL RECEIPTS	1,500	2,202	2,202	1,500	3,592	2,092
DISBURSEMENTS						
Jail	4,600	-	4,600	3,266	-	3,266
TOTAL DISBURSEMENTS	4,600	-	4,600	3,266	-	3,266
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,100)	2,202	6,802	(1,766)	3,592	5,358
CASH, January 1	5,358	5,358	-	1,766	1,766	-
CASH, December 31	<u>\$ 2,258</u>	<u>\$ 7,560</u>	<u>\$ 6,802</u>	<u>\$ -</u>	<u>\$ 5,358</u>	<u>\$ 5,358</u>

See accompanying notes.

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL TRUST FUND</u>						
RECEIPTS						
Intergovernmental	\$ 17,000	\$ -	\$ (17,000)	\$ 17,135	\$ 17,135	\$ -
Charges for services	8,100	7,142	(958)	7,520	8,309	789
TOTAL RECEIPTS	25,100	7,142	(17,958)	24,655	25,444	789
DISBURSEMENTS						
Contractual services	24,631	-	24,631	28,149	27,680	469
TOTAL DISBURSEMENTS	24,631	-	24,631	28,149	27,680	469
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	469	7,142	6,673	(3,494)	(2,236)	1,258
CASH, January 1	1,258	1,258	-	3,494	3,494	-
CASH, December 31	\$ 1,727	\$ 8,400	\$ 6,673	\$ -	\$ 1,258	\$ 1,258
<u>JUVENILE DETENTION FUND</u>						
RECEIPTS						
Charges for services	\$ 3,840	\$ 556	\$ (3,284)	\$ 28,900	\$ 4,022	\$ (24,878)
Transfers in	20,925	-	(20,925)	-	-	-
TOTAL RECEIPTS	24,765	556	(24,209)	28,900	4,022	(24,878)
DISBURSEMENTS						
Juvenile detention	34,381	-	34,381	34,381	-	34,381
Transfers out	-	-	-	29,000	29,000	-
TOTAL DISBURSEMENTS	34,381	-	34,381	63,381	29,000	34,381
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(9,616)	556	10,172	(34,481)	(24,978)	9,503
CASH, January 1	9,616	9,616	-	34,594	34,594	-
CASH, December 31	\$ -	\$ 10,172	\$ 10,172	\$ 113	\$ 9,616	\$ 9,503

See accompanying notes.



POLK COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2011

	Capital Improvement Special Road Fund	ESCHEAT Fund	Fees Due Others Fund	Missouri Office Prosecution Fund	School Fund	School Revolving Fund	Special Roads Control Fund	Jail Fund
ASSETS								
Cash and investments	\$ 169,931	\$ 4,695	\$ 19,972	\$ 30	\$ 110,911	\$ 4,809	\$ 144,822	\$ 3,765
TOTAL ASSETS	<u>\$ 169,931</u>	<u>\$ 4,695</u>	<u>\$ 19,972</u>	<u>\$ 30</u>	<u>\$ 110,911</u>	<u>\$ 4,809</u>	<u>\$ 144,822</u>	<u>\$ 3,765</u>
LIABILITIES								
Due to others	\$ -	\$ -	\$ -	\$ 30	\$ -	\$ -	\$ -	\$ 3,765
Due to other governments	169,931	4,695	-	-	110,911	4,809	144,822	-
Due to other funds	-	-	19,972	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 169,931</u>	<u>\$ 4,695</u>	<u>\$ 19,972</u>	<u>\$ 30</u>	<u>\$ 110,911</u>	<u>\$ 4,809</u>	<u>\$ 144,822</u>	<u>\$ 3,765</u>

See accompanying notes.

## POLK COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS  
(CONTINUED)

December 31, 2011

	Collector's ACH Fund	Collector's Bankruptcy Fund	Collector of Revenue Fund	Collector's Protest Fund	Collector's Surtax Fund	Recorder User Fee Fund	Sheriff Fund	Prosecuting Attorney Fund	Total
ASSETS									
Cash and investments	\$ 43,687	\$ 1,368	\$ 10,525,324	\$ 1	\$ 20,075	\$ 69	\$ 11,822	\$ 9,873	\$ 11,071,154
TOTAL ASSETS	<u>\$ 43,687</u>	<u>\$ 1,368</u>	<u>\$ 10,525,324</u>	<u>\$ 1</u>	<u>\$ 20,075</u>	<u>\$ 69</u>	<u>\$ 11,822</u>	<u>\$ 9,873</u>	<u>\$ 11,071,154</u>
LIABILITIES									
Due to others	\$ -	\$ 1,368	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 5,164
Due to other governments	43,687	-	8,773,773	-	20,075	-	-	-	9,272,703
Due to other funds	-	-	1,751,551	-	-	69	11,822	9,873	1,793,287
TOTAL LIABILITIES	<u>\$ 43,687</u>	<u>\$ 1,368</u>	<u>\$ 10,525,324</u>	<u>\$ 1</u>	<u>\$ 20,075</u>	<u>\$ 69</u>	<u>\$ 11,822</u>	<u>\$ 9,873</u>	<u>\$ 11,071,154</u>

See accompanying notes.

POLK COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2010

	CERF Fund	Capital Improvement Special Road Fund	Deputy Sheriff Salary Fund	ESCHEAT Fund	Fees Due Others Fund	Financial Institution Tax Fund	School Fund	School Revolving Fund	Special Roads Control Fund
ASSETS									
Cash and investments	\$ 8,483	\$ 154,512	\$ 323	\$ 6,969	\$ 17,978	\$ 1,965	\$ 142,600	\$ 4,556	\$ 135,606
TOTAL ASSETS	<u>\$ 8,483</u>	<u>\$ 154,512</u>	<u>\$ 323</u>	<u>\$ 6,969</u>	<u>\$ 17,978</u>	<u>\$ 1,965</u>	<u>\$ 142,600</u>	<u>\$ 4,556</u>	<u>\$ 135,606</u>
LIABILITIES									
Due to others	\$ 8,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	154,512	-	6,969	-	1,965	142,600	4,556	135,606
Due to other funds	-	-	323	-	17,978	-	-	-	-
TOTAL LIABILITIES	<u>\$ 8,483</u>	<u>\$ 154,512</u>	<u>\$ 323</u>	<u>\$ 6,969</u>	<u>\$ 17,978</u>	<u>\$ 1,965</u>	<u>\$ 142,600</u>	<u>\$ 4,556</u>	<u>\$ 135,606</u>

See accompanying notes.

POLK COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

(CONTINUED)

December 31, 2010

	Collector's ACH Fund	Collector's Bankruptcy Fund	Collector of Revenue Fund	Collector's Protest Fund	Collector's Surtax Fund	Jail Fund	Recorder User Fee Fund	Sheriff Fund	Prosecuting Attorney Fund	Total
ASSETS										
Cash and investments	\$ 43,687	\$ 1,503	\$ 10,314,696	\$ 2	\$ 20,228	\$ 3,615	\$ 285	\$ 7,037	\$ 1,500	\$ 10,865,545
TOTAL ASSETS	<u>\$ 43,687</u>	<u>\$ 1,503</u>	<u>\$ 10,314,696</u>	<u>\$ 2</u>	<u>\$ 20,228</u>	<u>\$ 3,615</u>	<u>\$ 285</u>	<u>\$ 7,037</u>	<u>\$ 1,500</u>	<u>\$ 10,865,545</u>
LIABILITIES										
Due to others	\$ -	\$ 1,503	\$ -	\$ 2	\$ -	\$ 3,615	\$ -	\$ -	\$ -	\$ 13,603
Due to other governments	43,687	-	8,727,641	-	20,228	-	-	-	-	9,237,764
Due to other funds	-	-	1,587,055	-	-	-	285	7,037	1,500	1,614,178
TOTAL LIABILITIES	<u>\$ 43,687</u>	<u>\$ 1,503</u>	<u>\$ 10,314,696</u>	<u>\$ 2</u>	<u>\$ 20,228</u>	<u>\$ 3,615</u>	<u>\$ 285</u>	<u>\$ 7,037</u>	<u>\$ 1,500</u>	<u>\$ 10,865,545</u>

See accompanying notes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Polk County, Missouri (“County”), is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk-Recorder, Coroner, Collector, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer.

As discussed further in Note A, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

### Reporting Entity

The County’s operations include tax assessments and collections, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Polk County, Missouri, which consists of all funds, organizations, agencies, departments, and offices that comprise the County’s legal entity.

### Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri law, which include a Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following funds are used by the County:

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

Fiduciary Funds – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared on the regulatory basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measureable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50, RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.
8. Budgets are prepared and adopted on the regulatory basis of accounting.
9. Although adoption of a formal budget is required by law, the County did not adopt a formal budget for the following fund:
  - a. Special Election Fund
10. Section 50.740 RSMo, prohibits expenditures in excess of the approved budgets. Actual disbursements exceeded budgeted amounts for the year ended December 31, 2011, in the Collector Tax Maintenance Fund and the Emergency 911 Fund. For the year ended December 31, 2010, actual disbursements exceeded budgeted amounts for the Collector Tax Maintenance Fund.

Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund is readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements. State statutes require that County deposits be fully collateralized in the name of the County. As of December 31, 2011 and 2010, all bank balances are entirely insured or collateralized with securities.

POLK COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE B –INVESTMENTS

The County’s investments at December 31, 2010, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificate of Deposit	12/27/2011	\$ 300,000
Certificate of Deposit	4/3/2012	3,226
Certificate of Deposit	6/27/2011	1,000,000
Certificate of Deposit	3/5/2011	500,000
		<u>\$ 1,803,226</u>

The County’s investments at December 31, 2011, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificate of Deposit	6/27/2012	\$ 300,000
Certificate of Deposit	4/3/2012	3,251
Certificate of Deposit	6/27/2013	1,000,000
Certificate of Deposit	3/5/2012	500,000
		<u>\$ 1,803,251</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the County’s deposits be collateralized in the name of the County by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2011, and December 31, 2010, all certificates of deposit are entirely insured or collateralized with securities.

The County does not have a policy on interest rate risk.



NOTE C – CLAIMS, JUDGMENTS AND CONTINGENCIES

Federal and State Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2011 and 2010, significant amounts of grant disbursements have not been audited by grantor governments, but the County believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

NOTE D – PENSION PLAN – CERF

*STATE OF MISSOURI COUNTY EMPLOYEES' RETIREMENT FUND*

Plan Description

Polk County participates in the County Employees' Retirement Fund (CERF), a cost-sharing multiple-employer pension plan. CERF is a defined benefit pension plan which provides retirement and death benefits to plan members and beneficiaries. CERF was created and is governed by state statute, RSMo. 50.1000 to 50.1300. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The County Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CERF Plan Administrator 2121 Schotthill Woods Drive, Jefferson City, MO 65101.

Funding Policy

Polk County's full-time employees hired before February 25, 2002, are required by state statute to contribute 2% of annual payroll to the pension plan. Polk County's full-time employees hired after February 25, 2002, are required by state statute to contribute 6% of annual covered payroll to the pension plan. The County is required by state statute to remit the fees collected under RSMo. Sections 52.290, 150.150, 137.280, 137.345 and Chapters 59 and 54, RSMo, plus interest. The required contributions have been made.

POLK COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE E – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31.

The 2011 and 2010 assessed valuation of the tangible taxable property (excluding railroad and utilities) and the tax levies per \$100 assessed valuation of that property were as follows:

	<u>2011</u>	<u>2010</u>
ASSESSED VALUATION		
Real estate	\$ 247,954,360	\$ 252,461,440
Personal property	<u>18,869,988</u>	<u>17,310,115</u>
	<u>\$ 266,824,348</u>	<u>\$ 269,771,555</u>
TAX LEVY		
General Revenue Fund	\$ .3232	\$ .3173
Senate Bill 40 Board	.0209	.0205
Senior Service Tax Fund	<u>.0500</u>	<u>.0493</u>
	<u>\$ .3941</u>	<u>\$ .3871</u>

The legal debt margin at December 31, 2011 and December 31, 2010, is computed as follows:

	<u>2011</u>	<u>2010</u>
Constitutional debt limit	\$ 26,682,435	\$ 26,977,156
General obligation bonds payable	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 26,682,435</u>	<u>\$ 26,977,156</u>

Under Article VI, Section 26(b) and (c), Missouri Constitution, the County, by a vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized by law of the County or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the County.

POLK COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE F – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE G – INTERFUND TRANSFERS

Interfund transfers for the years ended December 31, 2011 and 2010, consisted of the following:

	Transfers In (Out)	
	2011	2010
General Revenue Fund	\$ (687,888)	\$ (564,644)
Special Road and Bridge Fund	1,343,103	1,389,484
Assessment Fund	30,628	14,539
Law Enforcement Sales Tax Fund	671,727	604,378
Capital Improvement Sales Tax Fund	(1,343,103)	(1,389,484)
Child Support Enforcement Fund	5,223	3,629
Prosecuting Attorney Bad Check Fund	(12,700)	(14,120)
Moore Cemetery Trust Fund	(360)	(360)
Local Emergency Planning Committee Fund	-	(8,910)
Collector Tax Maintenance Fund	(7,000)	-
Law Enforcement Restitution Fund	370	-
Special Election Fund	-	(6,476)
Inmate Fee Fund	-	964
Juvenile Detention Fund	-	(29,000)
	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Revenue Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

POLK COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE H – LONG-TERM DEBT

In July 2008, the County entered into a cancelable lease purchase agreement to finance the purchase of a backhoe loader in the amount of \$70,746. The agreement requires annual payments of \$8,343 including interest at 3.4% through March 2012 and one payment of \$40,000 in March 2013.

The annual requirements to amortize the principal are as follows:

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2012	\$ 6,149	\$ 2,194	\$ 8,343
2013	40,000	-	40,000
	<u>\$ 46,149</u>	<u>\$ 2,194</u>	<u>\$ 48,343</u>

The following is the changes in long-term debt for the years ended December 31, 2011 and December 31, 2010:

	Balance December 31,			Balance December 31,			Balance December 31,
	2009	Additions	Retirements	2010	Additions	Retirements	2011
Capital Lease Obligation							
2008 John Deere Lease	<u>\$ 58,447</u>	<u>\$ -</u>	<u>\$ 6,149</u>	<u>\$ 52,298</u>	<u>\$ -</u>	<u>\$ 6,149</u>	<u>\$ 46,149</u>

NOTE I – COMPENSATED ABSENCES PAYABLE

Compensated absences payable consists of one half of the unused sick time and unused accumulated comp time up to 240 hours for employees. The balance at December 31, 2010 and 2011, totaled \$56,629 and \$53,889, respectively.

## **SUPPLEMENTARY SCHEDULE**



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

www.dlmcpa.com  
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

County Commission  
Polk County  
Bolivar, Missouri

We have audited the financial statements of Polk County, Missouri as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 22, 2012. The financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Polk County, Missouri, is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit of the financial statements of Polk County, Missouri, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and, therefore, can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 11-1 and 11-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

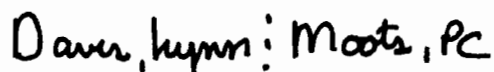
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Polk County, Missouri, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Polk County, Missouri, in a separate letter dated June 22, 2012.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The script is cursive and somewhat informal.

DAVIS, LYNN & MOOTS, P.C.  
June 22, 2012



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
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ANDREW A. MARMOUGET, CPA

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www.dlmcpa.com  
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

County Commission  
Polk County  
Bolivar, Missouri

Compliance

We have audited the compliance of Polk County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on Polk County's major federal program for the years ended December 31, 2011 and 2010. Polk County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Polk County's management. Our responsibility is to express an opinion on Polk County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Polk County's compliance with those requirements.

In our opinion, Polk County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.



### Internal Control over Compliance

The management of Polk County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Polk County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
June 22, 2012

POLK COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Years Ended December 31, 2011 and 2010

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures Year Ended December 31,	
			2011	2010
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct				
Schools and Roads Grants to States	10.665	N/A	\$ 25,523	\$ 25,314
TOTAL U.S. DEPARTMENT OF AGRICULTURE			25,523	25,314
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Missouri Department of Transportation				
Highway Planning and Construction	20.205	BRO-B084(10)	19,595	58,751
Highway Planning and Construction		BRO-B084(11)	73,233	1,042,031
Highway Planning and Construction		BRO-B084(12)	11,301	33,648
Missouri Department of Public Safety				
Intra-agency Harzardous Materials Public Sector				
Training and Planning Grant	20.703	N/A	-	2,000
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			104,129	1,136,430
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Missouri Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-LBGJ-066	-	8,640
City of Bolivar				
Edward Byrne Memorial Justice Assistance Grant Program	16.803	N/A	15,164	-
TOTAL U.S. DEPARTMENT OF JUSTICE			15,164	8,640
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>				
Missouri Secretary of State's Office				
Help America Vote Act	90.401	N/A	569	-
	90.401	N/A	1,230	-
TOTAL U.S. ELECTION ASSISTANCE COMMISSION			1,799	-
<u>GENERAL SERVICES ADMINISTRATION</u>				
Voting Equipment and Maintenance Grant	39.011	N/A	7,075	-
TOTAL GENERAL SERVICES ADMINISTRATION			7,075	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Missouri Department of Social Services				
Child Support Enforcement	93.563	N/A	133,350	135,357
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			133,350	135,357

POLK COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Years Ended December 31, 2011 and 2010

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures Year Ended December 31,	
			2011	2010
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Missouri Department of Social Services				
ARRA-Homeless Prevention and Rapid Re-housing Program, Recovery Act	14.257	ER16410037A	20,819	49,601
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			20,819	49,601
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Missouri Department of Public Safety				
Emergency Management Preparedness Grant	97.042	N/A	-	17,142
		EMW-2011-EP-0004-501	24,494	-
Citizen Corp Grant	97.053	N/A	8,222	
Disaster Grant - Public Assistance	97.036	FEMA 1961-DR-MO	18,406	-
		FEMA 1980-DR-MO	63,440	-
		FEMA 1728-DR-MO	96,688	-
		FEMA 1809-DR-MO	61,416	-
Missouri State University				
Homeland Security Grant Program	97.067	N/A	9,452	6,043
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			282,118	23,185
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 589,977	\$ 1,378,527

N/A - Not Applicable

POLK COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE  
Years ended December 31, 2011 and 2010

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Polk County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the regulatory basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2011 and 2010.

POLK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Years ended December 31, 2011 and 2010

**Summary of Auditor's Results**

Financial Statements

Type of auditors' report issued on the regulatory basis  
of accounting:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

  X   Yes        No

Significant deficiencies identified that are  
not considered to be material weaknesses?

       Yes   X   None reported

Noncompliance material to the financial  
statements noted?

       Yes   X   No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

       Yes   X   No

Significant deficiencies identified that are  
not considered to be material weaknesses?

       Yes   X   None reported

Type of auditors' report issued on compliance  
for major program(s):

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Section 510(a) of OMB Circular A-133?

       Yes   X   No

Identification of major program:

CFDA or Other

Identifying Number    Program Title

20.205                      Highway Planning and Construction

Dollar threshold used to distinguish between Type A  
and Type B program:

\$ 300,000

Auditee qualified as a low -risk auditee?

       Yes   X   No

POLK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Years ended December 31, 2011 and 2010

**Financial Statement Findings**

11-1 Segregation of Duties

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel prohibits segregation of incompatible duties.

11-2 Wire Transfers

*Condition:* The depository agreements with the County banking institutions do not address by whom and to whom a wire transfer may be made. They also do not include special instructions for wire transfers.

*Criteria:* The County should have written and signed instructions with banking institutions requiring the approval of two authorized individuals before a wire transfer is made and by whom and to whom a wire transfer may be made.

*Effect:* Risk is present that unauthorized wire transfers may be made.

*Recommendation:* The County should include in future depository agreements with its banking institutions, who is authorized to make wire transfers for the County, and to whom wire transfers are allowed, and require approval of two authorized individuals.

*Response:* The County will update its depository agreements with its banking institutions to include who is authorized to make wire transfers for the County, to whom wire transfers are allowed, and require approval of two authorized individuals.

POLK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Years ended December 31, 2011 and 2010

**Federal Award Findings and Questioned Costs**

None

POLK COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

This section represents the summary schedule of prior audit findings. The prior audit period was for the two years ended December 31, 2009.

Item 3	Federal Grantor:	U.S. Department of Homeland Security
	Pass-Through Grantor:	Missouri Department of Public Safety
	Federal CFDA Numbers:	97.036
	Program Title:	Public Assistance Grants
	Pass-Through Entity	
	Identifying Number:	167-99167-00
	Award Years:	2009 and 2008
	Questioned Costs:	Not applicable

The County did not maintain adequate documentation of allowed costs.

Auditor's Recommendation:

The County obtain and maintain adequate documentation of allowed costs.

Status:

Corrective action has been taken.

Item 4	Federal Grantor:	U.S. Department of Homeland Security
	Pass-Through Grantor:	Department of Public Safety
	Federal CFDA Numbers:	97.036
	Program Title:	Public Assistance Grants
	Pass-Through Entity	
	Identifying Number:	167-99167-00
	Award Years:	2009 and 2008
	Questioned Costs:	Not applicable

The County incurred project costs after period of availability.

Auditor's Recommendation:

The County request an extension.

Status:

Corrective action has been taken.





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MOOTS, P.C.  
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LARRY M. BROWN, CPA  
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3828 SOUTH AVENUE  
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FAX (417) 882-4343

[www.dlmcpa.com](http://www.dlmcpa.com)  
e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

Polk County Commission  
Polk County  
Bolivar, Missouri

In planning and performing our audit of the basic financial statements of Polk County, Missouri for the years ended December 31, 2011 and 2010, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Budgetary Compliance

The County was not in compliance with the budgetary statute, Chapter 50, RSMo, for the year ended December 31, 2011 as actual disbursements exceeded budgeted disbursements in the Emergency 911 Fund and Collector Tax Maintenance Fund. For the year ended December 31, 2010, actual disbursements exceeded budgeted disbursements for the Collector Tax Maintenance Fund. The budgetary statute prohibits actual disbursements exceeding budgeted disbursements. The County also did not adopt a budget for the Special Election Fund.

We Recommend:

The County review expenditures during the year and amend the budget as necessary to ensure compliance with the budgetary statute (Chapter 50, RSMo). We also recommend the County adopt a budget for the Special Election Fund.

2. General Fund Reserves

During our audit, we noted that the General Revenue Fund balance has decreased from a balance of \$1,558,671 as of January 1, 2010, to \$472,745 as of December 31, 2011. If current spending levels are maintained in fiscal 2012 the County could experience cash flow difficulties.

We Recommend:

The County review its budgeted receipts and disbursement for fiscal 2012 to ensure adequate reserves are maintained in the County's General Revenue Fund. One measure the County may consider as adequate reserves is three months payroll.

3. Prevailing Wage Documentation

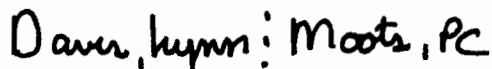
During our audit, we noted the County's Engineers are maintaining prevailing wage documentation for the County. However, the documentation was not filed with the County Clerk's office.

We Recommend:

The County request of its engineers to file all prevailing wage compliance documentation with the County Clerk.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as Polk County's independent auditor and the courtesies and assistance extended to us by the County's employees.



DAVIS, LYNN & MOOTS, P.C.  
June 22, 2012



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

www.dlmcpa.com  
e-mail: cpa@dlmcpa.com

County Commission  
Polk County  
Bolivar, Missouri

We have audited the basic financial statements of Polk County, Missouri for the years ended December 31, 2010 and 2011, and have issued our report thereon dated June 22, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 24, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 24, 2012.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Primary Government of Polk County, Missouri are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011 or 2010.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect misstatements as a result of audit procedures.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 22, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

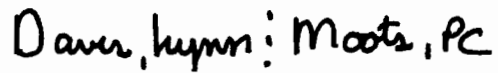
*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Polk County Commission  
Polk County  
Bolivar, Missouri  
Page Three

This report is intended solely for the use of the County Commission and management of the Primary Government of Polk County, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.  
June 22, 2012



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Cedar County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Cedar County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Davis, Lynn & Moots, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

August 2012  
Report No. 2012-89

**CEDAR COUNTY, MISSOURI**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2011 and 2010**

## **CEDAR COUNTY, MISSOURI**

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DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
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FAX (417) 882-4343

[www.dlmcpa.com](http://www.dlmcpa.com)  
e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

## **INDEPENDENT AUDITORS' REPORT**

Cedar County Commission  
Cedar County  
Stockton, Missouri

We have audited the accompanying financial statements of Cedar County, Missouri, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

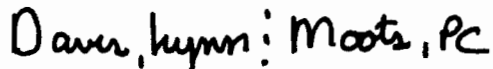
As described in Note A, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Cedar County, Missouri, as of December 31, 2011 and 2010, or the changes in financial position for the years then ended.

Cedar County Commission  
Cedar County  
Stockton, Missouri

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and investment balances of the governmental and agency funds of Cedar County, Missouri, as of and for the years ended December 31, 2011 and 2010, and the receipts, disbursements and budgetary results of the governmental funds for the years then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.  
July 6, 2012

## CEDAR COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT  
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS

Year Ended December 31, 2011

FUND	Cash and Investment Balance	Receipts	Disbursements	Cash and Investment Balance
	January 1			December 31
General Revenue	\$ 1,873,699	\$ 1,111,227	\$ 972,672	\$ 2,012,254
Special Road and Bridge	1,203	724,351	644,389	81,165
Assessment	134,591	142,891	188,399	89,083
Crime Victim Advocate	(986)	-	-	(986)
DARE	1,798	-	-	1,798
Election Services	9,850	526	3,473	6,903
Shelter	1,642	14,400	14,320	1,722
Law Enforcement Training	2,155	2,520	976	3,699
Local Emergency Planning Commission	7,110	4,556	2,818	8,848
Law Enforcement Sales Tax	36,625	853,062	910,638	(20,951)
Prosecuting Attorney Bad Check	9,034	11,087	19,829	292
Prosecuting Attorney Training	327	424	75	676
Records Preservation	7,529	5,482	2,620	10,391
Tax Maintenance	54,635	12,785	15,441	51,979
Recorder's Tech	3,343	3,454	4,140	2,657
Senior Services	66,518	77,355	83,140	60,733
HAVA	170	37	-	207
Task Force	870	-	-	870
Public Administrator Emergency	-	1,711	636	1,075
Department of Justice E.S.P.	-	37,910	-	37,910
TOTAL	<u>\$ 2,210,113</u>	<u>\$ 3,003,778</u>	<u>\$ 2,863,566</u>	<u>\$ 2,350,325</u>

See accompanying notes.

CEDAR COUNTY, MISSOURI  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT  
BALANCES – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS  
Year Ended December 31, 2010

FUND	Cash and Investment Balance	Receipts	Disbursements	Cash and Investment Balance
	January 1			December 31
General Revenue	\$ 1,731,819	\$ 1,096,266	\$ 954,386	\$ 1,873,699
Special Road and Bridge	19,012	882,974	900,783	1,203
Assessment	130,763	135,775	131,947	134,591
Crime Victim Advocate	(760)	299	525	(986)
DARE	1,798	-	-	1,798
Election Services	14,316	2,428	6,894	9,850
Shelter	1,242	6,868	6,468	1,642
Law Enforcement Training	1,005	2,045	895	2,155
Local Emergency Planning Commission	8,792	2,138	3,820	7,110
Law Enforcement Sales Tax	98,866	828,393	890,634	36,625
Prosecuting Attorney Bad Check	5,588	14,332	10,886	9,034
Prosecuting Attorney Training	288	339	300	327
Records Preservation	5,505	5,199	3,175	7,529
Tax Maintenance	78,092	17,191	40,648	54,635
Recorder's Tech	4,092	3,391	4,140	3,343
Senior Services	27,852	77,040	38,374	66,518
HAVA	80	90	-	170
Task Force	-	870	-	870
Public Administrator Emergency	-	-	-	-
Department of Justice E.S.P.	-	-	-	-
TOTAL	<u>\$ 2,128,350</u>	<u>\$ 3,075,638</u>	<u>\$ 2,993,875</u>	<u>\$ 2,210,113</u>

Note: For the year ended December 31, 2010, the Tax Maintenance Fund is now included in the County's financial statements.

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<b><u>GENERAL REVENUE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	\$ 350,000	\$ 362,514	\$ 12,514	\$ 320,000	\$ 337,558	\$ 17,558
Sales taxes	445,000	457,388	12,388	425,000	444,326	19,326
Other taxes	62,203	64,737	2,534	450	64,178	63,728
Intergovernmental	8,350	12,419	4,069	18,200	5,948	(12,252)
Charges for services	153,500	126,910	(26,590)	191,000	109,844	(81,156)
Interest	32,000	34,946	2,946	20,000	33,156	13,156
Other	22,700	48,430	25,730	45,400	72,471	27,071
Transfers in	-	3,883	3,883	-	28,785	28,785
<b>TOTAL RECEIPTS</b>	<b>1,073,753</b>	<b>1,111,227</b>	<b>37,474</b>	<b>1,020,050</b>	<b>1,096,266</b>	<b>76,216</b>
<b>DISBURSEMENTS</b>						
County Commission	79,041	78,658	383	77,071	77,175	(104)
County Clerk	108,700	105,534	3,166	109,051	103,893	5,158
Elections	26,900	24,397	2,503	79,500	47,698	31,802
Buildings and grounds	99,750	62,881	36,869	96,750	75,100	21,650
Employee fringe benefit	82,000	88,139	(6,139)	79,000	75,690	3,310
Treasurer	39,950	40,125	(175)	37,401	37,309	92
Recorder of Deeds	59,201	58,090	1,111	67,671	67,170	501
Collector	72,401	72,454	(53)	70,501	67,554	2,947
Circuit Clerk	31,256	27,152	4,104	30,090	33,289	(3,199)
Court Administration	36,502	36,577	(75)	10,376	11,711	(1,335)
Public Administrator	41,076	41,418	(342)	44,101	44,309	(208)
Coroner	19,120	16,861	2,259	2,970	1,018	1,952
Surveyor	1,900	1,627	273	2,575	328	2,247
University Extension	36,050	36,050	-	36,050	36,050	-
Sheriff	-	-	-	164,000	126,667	37,333
Jail	-	-	-	18,700	16,145	2,555
Prosecuting Attorney	178,499	185,976	(7,477)	30,552	26,202	4,350
Emergency Management	4,900	3,798	1,102	2,450	2,468	(18)
Public Health and Welfare	11,342	11,342	-	11,342	11,342	-
Insurance	35,000	37,158	(2,158)	30,000	30,333	(333)
Legal Fees	25,000	16,197	8,803	25,000	25,068	(68)
Other	18,300	28,238	(9,938)	19,900	21,103	(1,203)
Emergency Fund	33,000	-	33,000	32,000	-	32,000
Transfers out	-	-	-	-	16,764	(16,764)
<b>TOTAL DISBURSEMENTS</b>	<b>1,039,888</b>	<b>972,672</b>	<b>67,216</b>	<b>1,077,051</b>	<b>954,386</b>	<b>122,665</b>
<b>RECEIPTS OVER (UNDER)</b>						
<b>DISBURSEMENTS</b>	<b>33,865</b>	<b>138,555</b>	<b>104,690</b>	<b>(57,001)</b>	<b>141,880</b>	<b>198,881</b>
<b>CASH AND INVESTMENT</b>						
<b>BALANCE, January 1</b>	<b>1,873,699</b>	<b>1,873,699</b>	<b>-</b>	<b>1,731,819</b>	<b>1,731,819</b>	<b>-</b>
<b>CASH AND INVESTMENT</b>						
<b>BALANCE, December 31</b>	<b>\$ 1,907,564</b>	<b>\$ 2,012,254</b>	<b>\$ 104,690</b>	<b>\$ 1,674,818</b>	<b>\$ 1,873,699</b>	<b>\$ 198,881</b>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 167,000	\$ 172,850	\$ 5,850	\$ 162,000	\$ 162,423	\$ 423
Other taxes	454,000	446,842	(7,158)	422,000	450,216	28,216
Intergovernmental	127,800	97,253	(30,547)	308,000	255,614	(52,386)
Interest	150	1,568	1,418	500	1,258	758
Other	350	5,838	5,488	-	1,620	1,620
Transfers in	-	-	-	-	11,843	11,843
TOTAL RECEIPTS	749,300	724,351	(24,949)	892,500	882,974	(9,526)
DISBURSEMENTS						
Salaries	264,500	223,299	41,201	265,000	256,775	8,225
Employee fringe benefits	81,200	72,845	8,355	102,700	80,038	22,662
Supplies	60,000	80,352	(20,352)	60,000	77,327	(17,327)
Insurance	9,000	9,657	(657)	8,000	9,032	(1,032)
Road and bridge materials	141,500	127,923	13,577	181,000	312,382	(131,382)
Equipment repairs	30,000	33,538	(3,538)	30,000	27,005	2,995
Equipment purchases	60,452	39,848	20,604	60,452	60,451	1
Construction, repair, and maintenance	100,000	56,507	43,493	200,000	77,773	122,227
Transfers out	-	420	(420)	-	-	-
TOTAL DISBURSEMENTS	746,652	644,389	102,263	907,152	900,783	6,369
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	2,648	79,962	77,314	(14,652)	(17,809)	(3,157)
CASH AND INVESTMENT						
BALANCE, January 1	1,203	1,203	-	19,012	19,012	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 3,851	\$ 81,165	\$ 77,314	\$ 4,360	\$ 1,203	\$ (3,157)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 43,752	\$ 49,527	\$ 5,775	\$ 43,752	\$ 45,262	\$ 1,510
Charges for services	122,680	91,144	(31,536)	120,780	87,889	(32,891)
Interest	-	2,220	2,220	800	2,624	1,824
TOTAL RECEIPTS	166,432	142,891	(23,541)	165,332	135,775	(29,557)
DISBURSEMENTS						
Assessor	212,123	188,160	23,963	164,482	131,947	32,535
Transfers out	-	239	(239)	-	-	-
TOTAL DISBURSEMENTS	212,123	188,399	23,724	164,482	131,947	32,535
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(45,691)	(45,508)	183	850	3,828	2,978
CASH AND INVESTMENT						
BALANCE, January 1	134,591	134,591	-	130,763	130,763	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 88,900	\$ 89,083	\$ 183	\$ 131,613	\$ 134,591	\$ 2,978

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>CRIME VICTIM ADVOCATE FUND</u>						
RECEIPTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ 299	\$ 299
TOTAL RECEIPTS	-	-	-	-	299	299
DISBURSEMENTS						
Victim's Advocate Services	-	-	-	-	525	(525)
TOTAL DISBURSEMENTS	-	-	-	-	525	(525)
RECEIPTS (UNDER)						
DISBURSEMENTS	-	-	-	-	(226)	(226)
CASH AND INVESTMENT						
BALANCE, January 1	(986)	(986)	-	(760)	(760)	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ (986)</u>	<u>\$ (986)</u>	<u>\$ -</u>	<u>\$ (760)</u>	<u>\$ (986)</u>	<u>\$ (226)</u>
<u>DARE FUND</u>						
RECEIPTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL RECEIPTS	-	-	-	-	-	-
DISBURSEMENTS						
Other	-	-	-	1,700	-	1,700
TOTAL DISBURSEMENTS	-	-	-	1,700	-	1,700
RECEIPTS (UNDER)						
DISBURSEMENTS	-	-	-	(1,700)	-	1,700
CASH AND INVESTMENT						
BALANCE, January 1	1,798	1,798	-	1,798	1,798	-
CASH AND INVESTMENT						
BALANCE, December 31	<u>\$ 1,798</u>	<u>\$ 1,798</u>	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ 1,798</u>	<u>\$ 1,700</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	\$ 4,000	\$ 526	\$ (3,474)	\$ 2,000	\$ 1,452	\$ (548)
Interest	200	-	(200)	-	236	236
Transfers in	750	-	(750)	10,000	740	(9,260)
TOTAL RECEIPTS	4,950	526	(4,424)	12,000	2,428	(9,572)
DISBURSEMENTS						
Elections	4,000	626	3,374	-	-	-
Other	9,500	2,847	6,653	20,000	6,894	13,106
TOTAL DISBURSEMENTS	13,500	3,473	10,027	20,000	6,894	13,106
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,550)	(2,947)	5,603	(8,000)	(4,466)	3,534
CASH AND INVESTMENT BALANCE, January 1	9,850	9,850	-	14,316	14,316	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 1,300</u>	<u>\$ 6,903</u>	<u>\$ 5,603</u>	<u>\$ 6,316</u>	<u>\$ 9,850</u>	<u>\$ 3,534</u>
<u>SHELTER FUND</u>						
RECEIPTS						
Charges for services	\$ 5,000	\$ 14,400	\$ 9,400	\$ 1,500	\$ 6,868	\$ 5,368
TOTAL RECEIPTS	5,000	14,400	9,400	1,500	6,868	5,368
DISBURSEMENTS						
LIA house	5,000	14,320	(9,320)	1,242	6,468	(5,226)
TOTAL DISBURSEMENTS	5,000	14,320	(9,320)	1,242	6,468	(5,226)
RECEIPTS OVER DISBURSEMENTS	-	80	80	258	400	142
CASH AND INVESTMENT BALANCE, January 1	1,642	1,642	-	1,242	1,242	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 1,642</u>	<u>\$ 1,722</u>	<u>\$ 80</u>	<u>\$ 1,500</u>	<u>\$ 1,642</u>	<u>\$ 142</u>

See accompanying notes.



## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW ENFORCEMENT</u>						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 2,000	\$ 2,520	\$ 520	\$ 1,800	\$ 2,045	\$ 245
TOTAL RECEIPTS	2,000	2,520	520	1,800	2,045	245
DISBURSEMENTS						
Training	1,000	976	24	1,000	895	105
TOTAL DISBURSEMENTS	1,000	976	24	1,000	895	105
RECEIPTS OVER DISBURSEMENTS	1,000	1,544	544	800	1,150	350
CASH AND INVESTMENT BALANCE, January 1	2,155	2,155	-	1,005	1,005	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 3,155</u>	<u>\$ 3,699</u>	<u>\$ 544</u>	<u>\$ 1,805</u>	<u>\$ 2,155</u>	<u>\$ 350</u>
<u>LOCAL EMERGENCY PLANNING</u>						
<u>COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	\$ 2,000	\$ 4,505	\$ 2,505	\$ 2,885	\$ 2,000	\$ (885)
Interest	140	51	(89)	110	138	28
TOTAL RECEIPTS	2,140	4,556	2,416	2,995	2,138	(857)
DISBURSEMENTS						
LEPC	6,790	2,818	3,972	3,850	3,820	30
TOTAL DISBURSEMENTS	6,790	2,818	3,972	3,850	3,820	30
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,650)	1,738	6,388	(855)	(1,682)	(827)
CASH AND INVESTMENT BALANCE, January 1	7,110	7,110	-	8,792	8,792	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 2,460</u>	<u>\$ 8,848</u>	<u>\$ 6,388</u>	<u>\$ 7,937</u>	<u>\$ 7,110</u>	<u>\$ (827)</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>LAW ENFORCEMENT</u>						
<u>SALES TAX FUND</u>						
RECEIPTS						
Sales tax	\$ 490,000	\$ 505,940	\$ 15,940	\$ 490,000	\$ 487,972	\$ (2,028)
Intergovernmental	262,814	2,907	(259,907)	133,150	-	(133,150)
Charges for services	60,000	336,594	276,594	58,000	328,216	270,216
Interest	1,500	490	(1,010)	1,500	1,490	(10)
Other	-	7,131	7,131	39,150	5,215	(33,935)
Transfers in	-	-	-	-	5,500	5,500
TOTAL RECEIPTS	814,314	853,062	38,749	721,800	828,393	106,593
DISBURSEMENTS						
Public Safety	649,342	632,886	16,456	446,859	512,320	(65,461)
Jail	134,424	173,870	(39,446)	109,650	116,502	(6,852)
Prosecuting Attorney	-	-	-	146,523	154,369	(7,846)
Circuit judge and juvenile	38,000	37,945	55	64,000	57,564	6,436
Coroner	-	-	-	16,462	20,865	(4,403)
Lake patrol	29,030	27,304	1,726	35,150	27,962	7,188
Transfers out	-	38,633	(38,633)	-	1,052	(1,052)
TOTAL DISBURSEMENTS	850,796	910,638	(59,842)	818,644	890,634	(71,990)
RECEIPTS (UNDER)						
DISBURSEMENTS	(36,483)	(57,576)	(21,094)	(96,844)	(62,241)	34,603
CASH AND INVESTMENT						
BALANCE, January 1	36,625	36,625	-	98,866	98,866	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 143	\$ (20,951)	\$ (21,094)	\$ 2,022	\$ 36,625	\$ 34,603
<u>PROSECUTING ATTORNEY</u>						
<u>BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 13,595	\$ 10,931	\$ (2,664)	\$ 15,000	\$ 14,212	\$ (788)
Interest	-	156	156	-	120	120
TOTAL RECEIPTS	13,595	11,087	(2,508)	15,000	14,332	(668)
DISBURSEMENTS						
Prosecuting Attorney	13,595	17,350	(3,755)	17,900	10,886	7,014
Transfers out	-	2,479	(2,479)	-	-	-
TOTAL DISBURSEMENTS	13,595	19,829	(6,234)	17,900	10,886	7,014
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	-	(8,742)	(8,742)	(2,900)	3,446	6,346
CASH AND INVESTMENT						
BALANCE, January 1	9,034	9,034	-	5,588	5,588	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 9,034	\$ 292	\$ (8,742)	\$ 2,688	\$ 9,034	\$ 6,346

See accompanying notes.

CEDAR COUNTY, MISSOURI  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND  
INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS  
(CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>PROSECUTING ATTORNEY</u>						
<u>TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 270	\$ 424	\$ 154	\$ 250	\$ 339	\$ 89
TOTAL RECEIPTS	270	424	154	250	339	89
DISBURSEMENTS						
Prosecuting attorney	270	75	195	538	300	238
TOTAL DISBURSEMENTS	270	75	195	538	300	238
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	349	349	(288)	39	327
CASH AND INVESTMENT BALANCE, January 1	327	327	-	288	288	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 327</u>	<u>\$ 676</u>	<u>\$ 349</u>	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ 327</u>
<u>RECORDS PRESERVATION FUND</u>						
RECEIPTS						
Charges for services	\$ 5,150	\$ 5,341	\$ 191	\$ 5,000	\$ 5,086	\$ 86
Interest	-	141	141	65	113	48
TOTAL RECEIPTS	5,150	5,482	332	5,065	5,199	134
DISBURSEMENTS						
Recorder	12,677	2,620	10,057	10,569	2,908	7,661
Transfers out	-	-	-	-	267	(267)
TOTAL DISBURSEMENTS	12,677	2,620	10,057	10,569	3,175	7,394
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,527)	2,862	10,389	(5,504)	2,024	7,528
CASH AND INVESTMENT BALANCE, January 1	7,529	7,529	-	5,505	5,505	-
CASH AND INVESTMENT BALANCE, December 31	<u>\$ 2</u>	<u>\$ 10,391</u>	<u>\$ 10,389</u>	<u>\$ 1</u>	<u>\$ 7,529</u>	<u>\$ 7,528</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	\$ 15,000	\$ 11,067	\$ (3,933)	\$ 21,300	\$ 16,371	\$ (4,929)
Interest	600	661	61	-	820	820
Other	-	846	846	-	-	-
Transfers in	-	211	211	-	-	-
TOTAL RECEIPTS	15,600	12,785	(2,815)	21,300	17,191	(4,109)
DISBURSEMENTS						
Collector	16,100	15,441	659	11,050	11,863	(813)
Transfers out	-	-	-	-	28,785	(28,785)
TOTAL DISBURSEMENTS	16,100	15,441	659	11,050	40,648	(29,598)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(500)	(2,656)	(2,156)	10,250	(23,457)	(33,707)
CASH AND INVESTMENT						
BALANCE, January 1	54,635	54,635	-	78,092	78,092	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ 54,135	\$ 51,979	\$ (2,156)	\$ 88,342	\$ 54,635	\$ (33,707)
<u>RECORDER'S TECH FUND</u>						
RECEIPTS						
Charges for services	\$ 3,500	\$ 3,418	\$ (82)	\$ 3,800	\$ 3,346	\$ (454)
Interest	-	36	36	40	45	5
TOTAL RECEIPTS	3,500	3,454	(46)	3,840	3,391	(449)
DISBURSEMENTS						
Recorder	6,843	4,140	2,703	7,930	4,140	3,790
TOTAL DISBURSEMENTS	6,843	4,140	2,703	7,930	4,140	3,790
RECEIPTS (UNDER)						
DISBURSEMENTS	(3,343)	(686)	2,657	(4,090)	(749)	3,341
CASH AND INVESTMENT						
BALANCE, January 1	3,343	3,343	-	4,092	4,092	-
CASH AND INVESTMENT						
BALANCE, December 31	\$ -	\$ 2,657	\$ 2,657	\$ 2	\$ 3,343	\$ 3,341

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>SENIOR SERVICES FUND</u>						
RECEIPTS						
Property taxes	\$ 75,000	\$ 77,295	\$ 2,295	\$ 76,000	\$ 72,475	\$ (3,525)
Other taxes	-	60	60	-	47	47
Intergovernmental	51	-	(51)	-	4,518	4,518
TOTAL RECEIPTS	75,051	77,355	2,304	76,000	77,040	1,040
DISBURSEMENTS						
Senior Services	107,000	83,140	23,860	76,000	38,374	37,626
TOTAL DISBURSEMENTS	107,000	83,140	23,860	76,000	38,374	37,626
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(31,949)	(5,785)	26,164	-	38,666	38,666
CASH, January 1	66,518	66,518	-	27,852	27,852	-
CASH, December 31	\$ 34,569	\$ 60,733	\$ 26,164	\$ 27,852	\$ 66,518	\$ 38,666
<u>HAVA FUND</u>						
RECEIPTS						
Charges for services	\$ 20	\$ 37	\$ 17	\$ 100	\$ 90	\$ (10)
TOTAL RECEIPTS	20	37	17	100	90	(10)
DISBURSEMENTS						
County clerk	170	-	170	175	-	175
TOTAL DISBURSEMENTS	170	-	170	175	-	175
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	(150)	37	187	(75)	90	165
CASH, January 1	170	170	-	80	80	-
CASH, December 31	\$ 20	\$ 207	\$ 187	\$ 5	\$ 170	\$ 165

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENT BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS – REGULATORY BASIS (CONTINUED)

	Year Ended December 31,					
	2011			2010		
	Budget	Actual	Variance With Final Budget	Budget	Actual	Variance With Final Budget
<u>TASK FORCE FUND</u>						
RECEIPTS						
Intergovernmental	\$ 700	\$ -	\$ (700)	\$ -	\$ 870	\$ 870
TOTAL RECEIPTS	700	-	(700)	-	870	870
DISBURSEMENTS						
Transfers out	870	-	870	-	-	-
TOTAL DISBURSEMENTS	870	-	870	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(170)	-	170	-	870	870
CASH, January 1	870	870	-	-	-	-
CASH, December 31	<u>\$ 700</u>	<u>\$ 870</u>	<u>\$ 170</u>	<u>\$ -</u>	<u>\$ 870</u>	<u>\$ 870</u>
<u>PUBLIC ADMINISTRATOR EMERGENCY FUND</u>						
RECEIPTS						
Charges for services	\$ 636	\$ 1,711	\$ 1,075	\$ -	\$ -	\$ -
TOTAL RECEIPTS	636	1,711	1,075	-	-	-
DISBURSEMENTS						
Emergency	-	636	(636)	-	-	-
TOTAL DISBURSEMENTS	-	636	(636)	-	-	-
RECEIPTS OVER DISBURSEMENTS	636	1,075	439	-	-	-
CASH, January 1	-	-	-	-	-	-
CASH, December 31	<u>\$ 636</u>	<u>\$ 1,075</u>	<u>\$ 439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>DEPT OF JUSTICE E.S.P. FUND</u>						
RECEIPTS						
Interest	\$ -	\$ 233	\$ 233	\$ -	\$ -	\$ -
Transfers in	-	37,677	37,677	-	-	-
TOTAL RECEIPTS	-	37,910	37,910	-	-	-
DISBURSEMENTS						
General government	-	-	-	-	-	-
TOTAL DISBURSEMENTS	-	-	-	-	-	-
RECEIPTS OVER DISBURSEMENTS	-	37,910	37,910	-	-	-
CASH, January 1	-	-	-	-	-	-
CASH, December 31	<u>\$ -</u>	<u>\$ 37,910</u>	<u>\$ 37,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2011

	Collector Public Fund	Collector Checking Fund	Collector Prepay Fund	Collector Surtax Fund	Recorder's Account Fund	Prosecuting Attorney's Restitution Fund
<b>ASSETS</b>						
Cash and investments	\$ 4	\$ 4,048,895	\$ 55,286	\$ 25,814	\$ 16	\$ -
<b>TOTAL ASSETS</b>	<u>\$ 4</u>	<u>\$ 4,048,895</u>	<u>\$ 55,286</u>	<u>\$ 25,814</u>	<u>\$ 16</u>	<u>\$ -</u>
<b>LIABILITIES</b>						
Due to others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	4	612,463	55,286	2,322	16	-
Due to other governments	-	3,436,432	-	23,492	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 4</u>	<u>\$ 4,048,895</u>	<u>\$ 55,286</u>	<u>\$ 25,814</u>	<u>\$ 16</u>	<u>\$ -</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS  
(CONTINUED)

December 31, 2011

	P.A.D.S.	Sheriff's Office Fund	Sheriff Recovery Fund	County Law Enforcement Restitution Fund	Payroll Account Fund	Tax Surplus Fund
ASSETS						
Cash and investments	\$ 1,123	\$ 291	\$ 149	\$ 2,513	\$ 510	\$ 5,630
TOTAL ASSETS	<u>\$ 1,123</u>	<u>\$ 291</u>	<u>\$ 149</u>	<u>\$ 2,513</u>	<u>\$ 510</u>	<u>\$ 5,630</u>
LIABILITIES						
Due to others	\$ 1,123	\$ -	\$ 149	\$ 2,513	\$ 510	\$ 5,630
Due to other funds	-	-	-	-	-	-
Due to other governments	-	291	-	-	-	-
TOTAL LIABILITIES	<u>\$ 1,123</u>	<u>\$ 291</u>	<u>\$ 149</u>	<u>\$ 2,513</u>	<u>\$ 510</u>	<u>\$ 5,630</u>

See accompanying notes.



## CEDAR COUNTY, MISSOURI

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS  
(CONTINUED)

December 31, 2011

	Unclaimed Fees Fund	Bond Forfeiture Fund	Fines Fund	Dale Cemetery Trust	Ada Bruce Cemetery Trust	Hazell Dell Cemetery Trust	Total
<b>ASSETS</b>							
Cash and investments	\$ 512	\$ 2,410	\$ 46,463	\$ 1,026	\$ 81	\$ 6,696	\$ 4,197,419
<b>TOTAL ASSETS</b>	<u>\$ 512</u>	<u>\$ 2,410</u>	<u>\$ 46,463</u>	<u>\$ 1,026</u>	<u>\$ 81</u>	<u>\$ 6,696</u>	<u>\$ 4,197,419</u>
<b>LIABILITIES</b>							
Due to others	\$ 512	\$ -	\$ -	\$ 1,026	\$ 81	\$ 6,696	\$ 18,240
Due to other funds	-	-	-	-	-	-	670,091
Due to other governments	-	2,410	46,463	-	-	-	3,509,088
<b>TOTAL LIABILITIES</b>	<u>\$ 512</u>	<u>\$ 2,410</u>	<u>\$ 46,463</u>	<u>\$ 1,026</u>	<u>\$ 81</u>	<u>\$ 6,696</u>	<u>\$ 4,197,419</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

December 31, 2010

	Collector Checking Fund	Collector Prepay Fund	Collector Surtax Fund	Recorder's Account Fund	Prosecuting Attorney's Restitution Fund	P.A.D.S.
<b>ASSETS</b>						
Cash and investments	\$ 4,906,993	\$ 17,846	\$ 27,440	\$ 59	\$ -	\$ 314
<b>TOTAL ASSETS</b>	<u>\$ 4,906,993</u>	<u>\$ 17,846</u>	<u>\$ 27,440</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 314</u>
<b>LIABILITIES</b>						
Due to others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314
Due to other funds	727,751	17,846	2,502	59	-	-
Due to other governments	4,179,242	-	24,937	-	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 4,906,993</u>	<u>\$ 17,846</u>	<u>\$ 27,440</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 314</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

(CONTINUED)

December 31, 2010

	Sheriff Recovery Fund	County Law Enforcement Restitution Fund	Payroll Account Fund	Tax Surplus Fund	Unclaimed Fees Fund	Bond Forfeiture Fund	Schools Fund
ASSETS							
Cash and investments	\$ 149	\$ 3,219	\$ 248	\$ 1,909	\$ 512	\$ 610	\$ 3,418
TOTAL ASSETS	<u>\$ 149</u>	<u>\$ 3,219</u>	<u>\$ 248</u>	<u>\$ 1,909</u>	<u>\$ 512</u>	<u>\$ 610</u>	<u>\$ 3,418</u>
LIABILITIES							
Due to others	\$ 149	\$ 3,219	\$ 248	\$ 1,909	\$ 512	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	610	3,418
TOTAL LIABILITIES	<u>\$ 149</u>	<u>\$ 3,219</u>	<u>\$ 248</u>	<u>\$ 1,909</u>	<u>\$ 512</u>	<u>\$ 610</u>	<u>\$ 3,418</u>

See accompanying notes.

## CEDAR COUNTY, MISSOURI

## STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS – AGENCY FUNDS – REGULATORY BASIS

(CONTINUED)

December 31, 2010

	Fines Fund	Cities Fund	Deputy Sheriff Supplemental Salary Fund	Dale Cemetery Trust	Ada Bruce Cemetery Trust	Hazell Dell Cemetery Trust	Total
ASSETS							
Cash and investments	\$ 35,353	\$ 897	\$ 503	\$ 996	\$ 91	\$ 6,826	\$ 5,007,383
TOTAL ASSETS	<u>\$ 35,353</u>	<u>\$ 897</u>	<u>\$ 503</u>	<u>\$ 996</u>	<u>\$ 91</u>	<u>\$ 6,826</u>	<u>\$ 5,007,383</u>
LIABILITIES							
Due to others	\$ -	\$ -	\$ -	\$ 996	\$ 91	\$ 6,826	\$ 14,264
Due to other funds	-	-	-	-	-	-	748,158
Due to other governments	35,353	897	503	-	-	-	4,244,960
TOTAL LIABILITIES	<u>\$ 35,353</u>	<u>\$ 897</u>	<u>\$ 503</u>	<u>\$ 996</u>	<u>\$ 91</u>	<u>\$ 6,826</u>	<u>\$ 5,007,383</u>

See accompanying notes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cedar County, Missouri (“County”), is governed by a three-member board of commissioners. In addition to the three board members, there are eleven elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Collector, Coroner, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, Surveyor, and Treasurer.

As discussed further in Note A, these financial statements are presented on the regulatory basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

### Reporting Entity

The County’s operations include tax assessments and collections, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Cedar County, Missouri, which consists of all funds, organizations, agencies, departments, and offices that comprise the County’s legal entity.

### Basis of Presentation

The financial statements are presented using accounting practices prescribed or permitted by Missouri law, which include a Statements of Receipts, Disbursements and Changes in Cash and Investment Balances – All Governmental Funds, a Comparative Statement of Receipts and Disbursements – Budget and Actual – All Governmental Funds, and a Statement of Assets and Liabilities Arising from Cash Transactions – Agency Funds.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts. The following funds are used by the County:

**Governmental Funds** – Governmental funds are those through which most governmental functions are financed. The County’s expendable financial resources are accounted for through governmental funds.

**Fiduciary Funds** – Fiduciary funds (agency funds) are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector and other officeholders.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements are prepared on the regulatory basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measureable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50, RSMo, the County adopts a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Adjustments made during the year were not significant and are reflected in the budget information in the financial statements. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

CEDAR COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Budgets are prepared and adopted on the regulatory basis of accounting.
9. Section 50.740 RSMo, prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for several funds of the County.

Cash and Investments

The County pools cash and investment resources of various funds in the County Treasurer's office in order to facilitate the management of cash and investments. Cash and investments applicable to a particular fund is readily identifiable. Some County offices also hold cash and investments in their own separate bank accounts as required by state statute. The balance in the pooled cash account is available to meet current operating requirements.

NOTE B – CASH AND INVESTMENTS

The County maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed as "cash and cash equivalents". Investments of the County consist of certificates of deposit with local banking institutions. State statutes require that County deposits be fully collateralized in the name of the County. As of December 31, 2011, all bank balances and certificated of deposit are entirely insured or collateralized with securities.

The County's Investments at December 31, 2010, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificate of Deposit	3/28/2012	\$ 5,000
Certificate of Deposit	5/23/2011	1,579
Certificate of Deposit	5/16/2011	1,000
		<u>\$ 7,579</u>

CEDAR COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE B – CASH AND INVESTMENTS (continued)

The County's investments at December 31, 2011, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificate of Deposit	3/28/2012	\$ 5,000
Certificate of Deposit	5/23/2013	1,579
Certificate of Deposit	5/16/2012	1,000
		<u>\$ 7,579</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the County's deposits be collateralized in the name of the County by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2011 and 2010, all certificates are entirely insured or collateralized with securities.

The County does not have a policy on interest rate risk.

NOTE C – PENSION PLAN – CERF

*STATE OF MISSOURI COUNTY EMPLOYEES' RETIREMENT FUND*

Plan Description

Cedar County participates in the County Employees' Retirement Fund (CERF), a cost-sharing multiple-employer pension plan. CERF is a defined benefit pension plan which provides retirement and death benefits to plan members and beneficiaries. CERF was created and is governed by state statute, RSMo. 50.1000 to 50.1300. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The County Employees' Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to CERF Plan Administrator, 2121 Schotthill Woods Drive, Jefferson City, MO 65101 or by calling 1-877-623-2373.



CEDAR COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE C – PENSION PLAN – CERF (continued)

Funding Policy

Cedar County's full-time employees hired before February 25, 2002, are required by state statute to contribute 2% of annual payroll to the pension plan. Cedar County's full-time employees hired after February 25, 2002, are required by state statute to contribute 6% of annual covered payroll to the pension plan. The County is required by state statute to remit the fees collected under RSMo. Sections 52.290, 150.150, 137.280, 137.345 and Chapters 59 and 54, RSMo, plus interest. The required contributions have been made.

NOTE D – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31.

The 2011 and 2010 assessed valuation of the tangible taxable property (excluding railroad and utilities) and the tax levies per \$100 assessed valuation of that property were as follows:

	<u>2011</u>	<u>2010</u>
ASSESSED VALUATION		
Real estate	\$ 111,023,450	\$ 109,497,590
Personal property	<u>39,032,872</u>	<u>38,184,146</u>
	<u>\$ 150,056,322</u>	<u>\$ 147,681,736</u>
TAX LEVY		
General Revenue Fund	\$ .1488	\$ .1617
Road and Bridge	.2385	.2385
Senior Services	<u>.0490</u>	<u>.0494</u>
	<u>\$ .4363</u>	<u>\$ .4496</u>

CEDAR COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE D – ASSESSED VALUATION, TAX LEVY AND LEGAL DEBT MARGIN (continued)

The legal debt margin at December 31, 2011 and December 31, 2010, is computed as follows:

	<u>2011</u>	<u>2010</u>
Constitutional debt limit	\$ 15,005,632	\$ 14,768,174
General obligation bonds payable	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 15,005,632</u></u>	<u><u>\$ 14,768,174</u></u>

Under Article VI, Section 26(b) and (c), Missouri Constitution, the County, by a vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized by law of the County or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the County.

NOTE E – LONG-TERM DEBT

In July 2012, the County entered into a cancelable lease purchase agreement to refinance the purchase of a 2007 Caterpillar motor grader in the amount of \$125,012. The agreement requires annual payments of \$20,203 including interest at 6.0%.

In May 2008, the County entered into a cancelable lease purchase agreement to finance the purchase of two 2008 Volvo motor graders in the amount of \$199,240. The agreement required annual payments of \$39,848 including interest at 3.85%.

Although the agreements provide for cancellation if the County should fail to appropriate funds at the annual renewal dates, the County does not foresee exercising its options to cancel.

CEDAR COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE E – LONG-TERM DEBT (continued)

Changes in Long-Term Debt

The following table is a summary of the changes in the long-term debt for the year ended December 31, 2011:

	Balance December 31, 2009			Balance December 31, 2010			Balance December 31, 2011	
		Additions	Retirements		Additions	Retirements		
Capital Lease Obligations								
2007 Caterpillar Motor Grader	\$ 134,533	\$ -	\$ 13,465	\$ 121,068	\$ 125,012	\$ 121,068	\$ 125,012	
2008 Volvo Motor Graders	110,897	-	35,578	75,319	-	36,948	38,371	
	<u>\$ 245,430</u>	<u>\$ -</u>	<u>\$ 49,043</u>	<u>\$ 196,387</u>	<u>\$ 125,012</u>	<u>\$ 158,016</u>	<u>\$ 163,383</u>	

The debt service requirements to amortize the principal of the note and lease outstanding at December 31, 2011, are listed in the table below:

Year Ended December 31,	2007 Caterpillar Motor Grader	2008 Volvo Motor Graders	Total Lease Payments
2012	\$ 20,203	\$ 39,848	\$ 60,051
2013	20,203	-	20,203
2014	20,203	-	20,203
2015	20,203	-	20,203
2016	20,203	-	20,203
2017	20,203	-	20,203
2018	20,203	-	20,203
2019	20,202	-	20,202
	161,623	39,848	201,471
Portion Representing Interest	(36,611)	(1,477)	(38,088)
Minimum Future Lease Payments	<u>\$ 125,012</u>	<u>\$ 38,371</u>	<u>\$ 163,383</u>

This interest rate on the capital lease ranges from 3.85% to 6.0%. Payments are payable annually.

CEDAR COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE F – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE G – INTERFUND TRANSFERS

Interfund transfers for the years ended December 31, 2011 and 2010, consisted of the following:

	Transfers In (Out)	
	2011	2010
General Revenue Fund	\$ 3,883	\$ 12,021
Special Road and Bridge Fund	(420)	11,843
Assessment Fund	(239)	-
Election Services Fund	-	740
Law Enforcement Sales Tax Fund	(38,633)	4,448
Prosecuting Attorney Bad Check Fund	(2,479)	-
Records Preservation Fund	-	(267)
Tax Maintenance Fund	211	(28,785)
Department of Justice E. S. P. Fund	37,677	-
	<u>\$ -</u>	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Revenue Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CEDAR COUNTY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE H – CLAIMS, JUDGMENTS AND CONTINGENCIES

Federal and State Grants

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of December 31, 2011 and 2010, significant amounts of grant disbursements have not been audited by grantor governments, but the County believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the County.

NOTE I – COMPENSATED ABSENCES PAYABLE

The County provides employees with up to three weeks of paid vacation per year based upon the number of years of continuous service. Upon termination from County employment, an employee is reimbursed for unused vacation leave. Vacation days not used by the end of the year in which they are earned are forfeited. The County will not make payments in lieu of vacation leave. Due to this policy, the County has no determinable liability for compensated absences at December 31, 2010 or 2011.

**SUPPLEMENTARY SCHEDULE  
AND AUDITOR'S REPORT**



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
RANDALL G. MOOTS, CPA  
ANGELA M. PATRICK, CPA  
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

www.dlmcpa.com  
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

County Commission  
Cedar County  
Stockton, Missouri

We have audited the financial statements of Cedar County, Missouri as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 6, 2012. Our opinion was modified because the County prepares its financial statements using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Cedar County, Missouri, is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit of the financial statements of Cedar County, Missouri, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 11-1 described in the accompanying schedule of findings and responses to be a material weakness.

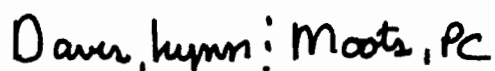
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Cedar County, Missouri, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of Cedar County, Missouri, in a separate letter dated July 6, 2012.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly stylized font.

DAVIS, LYNN & MOOTS, P.C.  
July 6, 2012



CEDAR COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
Years ended December 31, 2011 and 2010

11-1 Segregation of Duties

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel prohibits segregation of incompatible duties.



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

LARRY M. BROWN, CPA  
LAWRENCE W. DAVIS, CPA  
ANTHONY D. LYNN, CPA  
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ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE  
SPRINGFIELD, MO 65807  
(417) 882-0904  
FAX (417) 882-4343

[www.dlmcpa.com](http://www.dlmcpa.com)  
e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

Cedar County Commission  
Cedar County  
Stockton, Missouri

In planning and performing our audit of the basic financial statements of Cedar County, Missouri for the years ended December 31, 2011 and 2010, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

In addition to the material weakness discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. Budgetary Compliance

The County was not in compliance with the budgetary statute, Chapter 50, RSMo, in the current year as actual disbursements exceeded budgeted disbursements in the Shelter Fund, the Law Enforcement Sales Tax Fund, the Prosecuting Attorney Bad Check Fund and the Public Administrator Emergency Fund. In addition, a deficit balance was budgeted in the Crime Victim Advocate Fund.

The County was not in compliance with the budgetary statute, Chapter 50, RSMo, in 2010 as actual disbursements exceeded budgeted disbursements in the Crime Victim Advocate Fund, the Shelter Fund, the Law Enforcement Sales Tax Fund, and the Tax Maintenance Fund. In addition, a deficit balance was budgeted in the Crime Victim Advocate Fund. The budgetary statute prohibits the County from budgeting a deficit for any fund maintained by the County and actual disbursements exceeding budgeted disbursements.

We Recommend:

The County review expenditures during the year and amend the budget as necessary and to include necessary transfer amounts to ensure compliance with the budgetary statute (Chapter 50, RSMo).

2. Deficit Fund Balance

During 2010, the County ended with a deficit fund balance for the Crime Victim Advocate Fund. During 2011, the County ended the year with a deficit fund balance in the Crime Victim Advocate Fund and the Law Enforcement Sales Tax Fund.

We Recommend:

The County evaluate the fund balances for each fund periodically throughout the year and make transfers or other changes necessary to avoid ending with a deficit fund balance in any fund.

3. Bank Reconciliation Review

Management is not reviewing bank reconciliations on all accounts on a monthly basis.

We Recommend:

An authorized individual receives and reviews the bank reconciliations on all accounts after they are prepared.

4. Disbursement Procedures

Currently the County does not require two signatures on checks from some of the County officer's designated funds bank accounts. Coupled with the lack of segregation of duties, this creates an environment in which the County's assets could be misappropriated and the misappropriation would not be discovered in a timely manner.

We Recommend:

The County institute a policy requiring two signatures on all checks for all County disbursements, including all Special Revenue Fund disbursements and officer designated funds accounts.

5. Centralized Accounting Function

The County's accounting system currently consists of two distinct systems of recording receipts and disbursements. The receipts and disbursements for some funds are recorded by the County Clerk and the receipts and disbursements for other funds are recorded by the County Treasurer in a separate accounting system. In addition, for some special revenue funds, extensive manual ledgers are maintained to track receipts and disbursements. The manual ledgers are necessary because all transactions for these funds are recorded in the same account in the accounting software, resulting in only the cash balances by fund being tracked in the accounting software. Due to the absence of a centralized accounting system, receipts and disbursements are not maintained together for funds throughout the year. In order to prepare financial statements, management must rely on manual ledgers due to the lack of adequate reports available from the County's financial accounting software.

We recommend:

The County implement a centralized accounting system capable of integrating cash receipts and disbursements with the general ledger.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as Cedar County's independent auditor and the courtesies and assistance extended to us by the County's employees.

*Davis, Lynn; Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
July 6, 2012



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

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e-mail: [cpa@dlmcpa.com](mailto:cpa@dlmcpa.com)

County Commission  
Cedar County  
Stockton, Missouri

We have audited the basic financial statements of Cedar County, Missouri for the years ended December 31, 2010 and 2011, and have issued our report thereon dated July 6, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 10, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 10, 2012.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Primary Government of Cedar County, Missouri are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010 or 2011.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were detected as a result of audit procedures.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 6, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

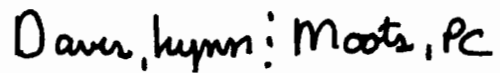
*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Cedar County Commission  
Cedar County  
Stockton, Missouri  
Page Three

This report is intended solely for the use of the County Commission and management of the Primary Government of Cedar County, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Davis, Lynn & Moots, PC". The signature is written in a cursive, slightly informal style.

DAVIS, LYNN & MOOTS, P.C.  
July 6, 2012



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Benton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Benton County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

August 2012  
Report No. 2012-88



ANNUAL FINANCIAL REPORT

**BENTON COUNTY, MISSOURI**

For the Years Ended  
December 31, 2011 and 2010

# BENTON COUNTY, MISSOURI

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## **INTRODUCTORY SECTION**

BENTON COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – Tom Self

Associate Commissioner – Paul Estes

Associate Commissioner – Walter Schumacher Jr.

*Other Elected Officials*

Assessor – Rodger Reedy

Circuit Clerk – Cheryl Schultz

Collector – Donna Hart

Coroner – James Miller

County Clerk – Mary Lutman

Prosecuting Attorney – Karen Coffey-Woodley

Public Administrator – Lori Johnson Dunkin

Recorder – Beverly Burnett

Sheriff – Rick Fajen

Treasurer – Rick Renno

## **FINANCIAL SECTION**

## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Benton County, Missouri

We have audited the accompanying financial statements of Benton County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Benton County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Benton County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Benton County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 23, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
October 23, 2012

BENTON COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents	
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011	
General Revenue	\$ 285,505	\$ 2,334,028	\$ 2,405,626	\$ 213,907	\$ 2,272,640	\$ 2,266,040	\$ 220,507	
Special Road & Bridge	673,568	1,305,217	1,304,352	674,433	1,431,158	1,434,643	670,948	
Assessment	92,843	320,127	320,377	92,593	321,004	301,503	112,094	
CART Investment	-	615,743	566,222	49,521	558,339	515,032	92,828	
Capital Improvement	673,243	1,053,899	813,459	913,683	1,289,478	1,315,868	887,293	
Adult Abuse	1,222	4,297	3,193	2,326	4,934	4,673	2,587	
Law Enforcement	6,132	3,346	5,386	4,092	3,688	1,725	6,055	
Prosecuting Attorney Training	436	835	489	782	929	300	1,411	
Prosecuting Attorney Bad Check	2,502	10,917	2,729	10,690	7,850	1,673	16,867	
Prosecuting Attorney Delinquent Tax	2,587	286	521	2,352	53	2,076	329	
Recorder User	43,066	17,754	24,950	35,870	17,306	24,596	28,580	
Juvenile Detention	-	3,926	3,926	-	776	776	-	
Sheriff's Civil	12,079	39,291	29,928	21,442	36,836	27,747	30,531	
Drug Abuse Resistance Education	348	3,205	2,370	1,183	2,708	3,040	851	
Deputy Sheriff Supplemental Salary	-	10,100	10,100	-	9,410	9,410	-	
Federal Seizure	497	-	497	-	-	-	-	
Election Services	1,969	1,024	1,342	1,651	1,866	1,911	1,606	
Help America Vote Act	-	17,977	17,165	812	23,139	23,951	-	
Tax Maintenance	31,145	34,484	23,257	42,372	33,572	48,140	27,804	
E-911	80,030	619,075	580,674	118,431	614,865	565,026	168,270	
<b>TOTAL</b>	<b>\$ 1,907,172</b>	<b>\$ 6,395,531</b>	<b>\$ 6,116,563</b>	<b>\$ 2,186,140</b>	<b>\$ 6,630,551</b>	<b>\$ 6,548,130</b>	<b>\$ 2,268,561</b>	

The accompanying Notes to the Financial Statements are an integral part of this statement.



BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2010		2011	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 358,150	\$ 371,022	\$ 371,000	\$ 365,682
Sales taxes	924,500	929,918	944,100	904,477
Intergovernmental	337,029	423,591	327,720	323,397
Charges for services	483,100	434,694	458,570	458,367
Interest	7,000	9,225	7,000	7,655
Other	67,239	80,323	67,976	86,782
Transfers in	127,194	85,255	129,225	126,280
Total Receipts	<u>\$ 2,304,212</u>	<u>\$ 2,334,028</u>	<u>\$ 2,305,591</u>	<u>\$ 2,272,640</u>
DISBURSEMENTS				
County Commission	\$ 94,605	\$ 92,057	\$ 96,963	\$ 94,593
County Clerk	77,232	77,140	78,146	74,989
Elections	124,590	86,024	48,706	40,295
Buildings and grounds	47,692	49,674	49,431	51,400
Employee fringe benefits	271,000	235,570	253,000	243,382
Treasurer	42,913	42,409	44,900	45,683
Collector	130,228	121,452	123,020	116,852
Recorder of Deeds	66,373	65,799	67,312	67,962
Circuit Clerk	57,050	58,105	49,450	39,324
Court administration	11,950	4,455	12,546	4,758
Public Administrator	51,240	45,818	48,826	47,651
Sheriff	689,158	672,804	701,892	721,141
Jail	248,018	264,490	264,491	253,718
Prosecuting Attorney	219,492	215,126	216,602	211,981
Juvenile Officer	33,043	35,869	32,184	32,120
Coroner	18,724	21,745	26,745	31,249
Other County Government	185,030	317,089	192,894	188,942
Emergency fund	69,126	-	69,168	-
Total Disbursements	<u>\$ 2,437,464</u>	<u>\$ 2,405,626</u>	<u>\$ 2,376,276</u>	<u>\$ 2,266,040</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (133,252)	\$ (71,598)	\$ (70,685)	\$ 6,600
CASH AND CASH EQUIVELANTS, JANUARY 1	<u>285,505</u>	<u>285,505</u>	<u>213,907</u>	<u>213,907</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 152,253</u></u>	<u><u>\$ 213,907</u></u>	<u><u>\$ 143,222</u></u>	<u><u>\$ 220,507</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 449,770	\$ 434,156	\$ 452,900	\$ 439,431	\$ -	\$ -	\$ -	\$ -
Sales taxes	89,000	93,599	95,000	101,920	-	-	-	-
Intergovernmental	657,045	177,682	947,865	302,568	301,851	267,385	287,722	286,313
Charges for services	-	-	-	-	2,000	4,872	600	4,173
Interest	12,600	16,952	17,000	20,519	4,000	4,470	4,500	4,770
Other	15,500	16,606	22,000	51,688	44,868	43,400	63,500	25,748
Transfers in	-	566,222	-	515,032	-	-	-	-
Total Receipts	<u>\$ 1,223,915</u>	<u>\$ 1,305,217</u>	<u>\$ 1,534,765</u>	<u>\$ 1,431,158</u>	<u>\$ 352,719</u>	<u>\$ 320,127</u>	<u>\$ 356,322</u>	<u>\$ 321,004</u>
DISBURSEMENTS								
Salaries	\$ 478,000	\$ 415,499	\$ 450,000	411,367	\$ 218,682	\$ 218,609	\$ 219,462	\$ 221,424
Employee fringe benefits	149,000	126,421	130,500	131,607	49,457	47,500	50,110	50,171
Materials and supplies	242,000	196,891	380,500	229,104	30,000	16,605	57,850	12,075
Services and Other	210,200	219,968	220,600	187,351	54,580	37,663	28,900	17,833
Capital Outlay	200,870	185,399	185,000	114,990	-	-	-	-
Construction	79,000	84,361	276,000	327,897	-	-	-	-
Transfers out	25,000	75,813	33,300	32,327	-	-	-	-
Total Disbursements	<u>\$ 1,384,070</u>	<u>\$ 1,304,352</u>	<u>\$ 1,675,900</u>	<u>\$ 1,434,643</u>	<u>\$ 352,719</u>	<u>\$ 320,377</u>	<u>\$ 356,322</u>	<u>\$ 301,503</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (160,155)	\$ 865	\$ (141,135)	\$ (3,485)	\$ -	\$ (250)	\$ -	\$ 19,501
CASH and CASH EQUIVALENTS, JANUARY 1	<u>673,568</u>	<u>673,568</u>	<u>674,433</u>	<u>674,433</u>	<u>92,843</u>	<u>92,843</u>	<u>92,593</u>	<u>92,593</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 513,413</u>	<u>\$ 674,433</u>	<u>\$ 533,298</u>	<u>\$ 670,948</u>	<u>\$ 92,843</u>	<u>\$ 92,593</u>	<u>\$ 92,593</u>	<u>\$ 112,094</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CART INVESTMENT FUND				CAPITAL IMPROVEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	832,500	820,446	836,850	814,206
Intergovernmental	550,000	559,094	568,000	549,760	-	-	354,654	-
Charges for services	-	-	-	-	-	-	-	-
Interest	8,500	8,602	8,700	8,579	27,000	23,356	25,000	28,728
Other	-	-	-	-	200,000	178,597	250,000	446,544
Transfers in	-	48,047	-	-	-	31,500	-	-
Total Receipts	<u>\$ 558,500</u>	<u>\$ 615,743</u>	<u>\$ 576,700</u>	<u>\$ 558,339</u>	<u>\$ 1,059,500</u>	<u>\$ 1,053,899</u>	<u>\$ 1,466,504</u>	<u>\$ 1,289,478</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	-	130,000	128,596	70,000	446,079
Capital outlay	-	-	-	-	405,400	281,004	343,345	278,820
Construction	-	-	-	-	815,500	403,859	1,387,318	590,969
Transfers out	554,600	566,222	568,000	515,032	-	-	-	-
Total Disbursements	<u>\$ 554,600</u>	<u>\$ 566,222</u>	<u>\$ 568,000</u>	<u>\$ 515,032</u>	<u>\$ 1,350,900</u>	<u>\$ 813,459</u>	<u>\$ 1,800,663</u>	<u>\$ 1,315,868</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 3,900	\$ 49,521	\$ 8,700	\$ 43,307	\$ (291,400)	\$ 240,440	\$ (334,159)	\$ (26,390)
CASH and CASH EQUIVALENTS, JANUARY 1	-	-	49,521	49,521	673,243	673,243	913,683	913,683
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 3,900</u>	<u>\$ 49,521</u>	<u>\$ 58,221</u>	<u>\$ 92,828</u>	<u>\$ 381,843</u>	<u>\$ 913,683</u>	<u>\$ 579,524</u>	<u>\$ 887,293</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ADULT ABUSE FUND				LAW ENFORCEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	3,700	4,261	4,600	4,877	4,300	3,346	4,300	3,688
Interest	25	36	40	57	1,000	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,725</u>	<u>\$ 4,297</u>	<u>\$ 4,640</u>	<u>\$ 4,934</u>	<u>\$ 5,300</u>	<u>\$ 3,346</u>	<u>\$ 4,300</u>	<u>\$ 3,688</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	4,220	3,193	4,500	4,673	10,750	5,386	8,000	1,725
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,220</u>	<u>\$ 3,193</u>	<u>\$ 4,500</u>	<u>\$ 4,673</u>	<u>\$ 10,750</u>	<u>\$ 5,386</u>	<u>\$ 8,000</u>	<u>\$ 1,725</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (495)	\$ 1,104	\$ 140	\$ 261	\$ (5,450)	\$ (2,040)	\$ (3,700)	\$ 1,963
CASH and CASH EQUIVALENTS, JANUARY 1	<u>1,222</u>	<u>1,222</u>	<u>2,326</u>	<u>2,326</u>	<u>6,132</u>	<u>6,132</u>	<u>4,092</u>	<u>4,092</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 727</u></u>	<u><u>\$ 2,326</u></u>	<u><u>\$ 2,466</u></u>	<u><u>\$ 2,587</u></u>	<u><u>\$ 682</u></u>	<u><u>\$ 4,092</u></u>	<u><u>\$ 392</u></u>	<u><u>\$ 6,055</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	950	835	975	929	-	-	-	-
Charges for services	-	-	-	-	10,000	10,710	9,000	7,427
Interest	-	-	-	-	150	207	150	423
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 950</u>	<u>\$ 835</u>	<u>\$ 975</u>	<u>\$ 929</u>	<u>\$ 10,150</u>	<u>\$ 10,917</u>	<u>\$ 9,150</u>	<u>\$ 7,850</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	5,000	-	\$ 5,000	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	950	489	975	300	5,150	2,729	2,600	1,673
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	1,000	-
Total Disbursements	<u>\$ 950</u>	<u>\$ 489</u>	<u>\$ 975</u>	<u>\$ 300</u>	<u>\$ 10,150</u>	<u>\$ 2,729</u>	<u>\$ 8,600</u>	<u>\$ 1,673</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 346	\$ -	\$ 629	\$ -	\$ 8,188	\$ 550	\$ 6,177
CASH and CASH EQUIVALENTS, JANUARY 1	<u>436</u>	<u>436</u>	<u>782</u>	<u>782</u>	<u>2,502</u>	<u>2,502</u>	<u>10,690</u>	<u>10,690</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 436</u>	<u>\$ 782</u>	<u>\$ 782</u>	<u>\$ 1,411</u>	<u>\$ 2,502</u>	<u>\$ 10,690</u>	<u>\$ 11,240</u>	<u>\$ 16,867</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	PROSECUTING ATTORNEY DELINQUENT TAX FUND				RECORDER USER FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,000	205	-	-	19,500	16,521	16,200	16,250
Charges for services	-	-	-	-	-	-	-	-
Interest	50	81	-	53	1,600	1,233	1,200	1,056
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,050</u>	<u>\$ 286</u>	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 21,100</u>	<u>\$ 17,754</u>	<u>\$ 17,400</u>	<u>\$ 17,306</u>
DISBURSEMENTS								
Salaries	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	3,185	2,307	2,900	4,089
Services and other	1,050	521	1,800	2,076	10,851	9,270	10,700	6,967
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	552	-	12,343	13,373	13,373	13,540
Total Disbursements	<u>\$ 1,050</u>	<u>\$ 521</u>	<u>\$ 2,352</u>	<u>\$ 2,076</u>	<u>\$ 26,379</u>	<u>\$ 24,950</u>	<u>\$ 26,973</u>	<u>\$ 24,596</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (235)	\$ (2,352)	\$ (2,023)	\$ (5,279)	\$ (7,196)	\$ (9,573)	\$ (7,290)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>2,587</u>	<u>2,587</u>	<u>2,352</u>	<u>2,352</u>	<u>43,066</u>	<u>43,066</u>	<u>35,870</u>	<u>35,870</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,587</u>	<u>\$ 2,352</u>	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 37,787</u>	<u>\$ 35,870</u>	<u>\$ 26,297</u>	<u>\$ 28,580</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	JUVENILE DETENTION FUND				SHERIFF'S CIVIL FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	1,500	3,900	4,250	769	55,000	39,291	40,000	36,836
Interest	-	26	25	7	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,500</u>	<u>\$ 3,926</u>	<u>\$ 4,275</u>	<u>\$ 776</u>	<u>\$ 55,000</u>	<u>\$ 39,291</u>	<u>\$ 40,000</u>	<u>\$ 36,836</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	1,500	3,926	3,000	776	55,000	29,928	33,000	27,747
Total Disbursements	<u>\$ 1,500</u>	<u>\$ 3,926</u>	<u>\$ 3,000</u>	<u>\$ 776</u>	<u>\$ 55,000</u>	<u>\$ 29,928</u>	<u>\$ 33,000</u>	<u>\$ 27,747</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ 1,275	\$ -	\$ -	\$ 9,363	\$ 7,000	\$ 9,089
CASH and CASH EQUIVALENTS, JANUARY 1	-	-	-	-	12,079	12,079	21,442	21,442
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,275</u>	<u>\$ -</u>	<u>\$ 12,079</u>	<u>\$ 21,442</u>	<u>\$ 28,442</u>	<u>\$ 30,531</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	DRUG ABUSE RESISTANCE EDUCATION FUND				DEPUTY SHERIFF SUPPLEMENTAL SALARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	10,000	10,100	10,000	9,410
Interest	70	28	70	45	-	-	-	-
Other	4,700	3,177	3,000	2,663	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 4,770</u>	<u>\$ 3,205</u>	<u>\$ 3,070</u>	<u>\$ 2,708</u>	<u>\$ 10,000</u>	<u>\$ 10,100</u>	<u>\$ 10,000</u>	<u>\$ 9,410</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	5,100	2,370	2,000	3,040	-	-	-	-
Services and other	-	-	-	-	9,410	10,100	10,000	9,410
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 5,100</u>	<u>\$ 2,370</u>	<u>\$ 2,000</u>	<u>\$ 3,040</u>	<u>\$ 9,410</u>	<u>\$ 10,100</u>	<u>\$ 10,000</u>	<u>\$ 9,410</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (330)	\$ 835	\$ 1,070	\$ (332)	\$ 590	\$ -	\$ -	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	<u>348</u>	<u>348</u>	<u>1,183</u>	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 18</u>	<u>\$ 1,183</u>	<u>\$ 2,253</u>	<u>\$ 851</u>	<u>\$ 590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.



BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	FEDERAL SEIZURE FUND				ELECTION SERVICES FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,400	1,024	1,950	1,866
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 1,024</u>	<u>\$ 1,950</u>	<u>\$ 1,866</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	500	351	800	783
Services and other	497	497	-	-	1,000	991	600	1,128
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 497</u>	<u>\$ 497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 1,342</u>	<u>\$ 1,400</u>	<u>\$ 1,911</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (497)	\$ (497)	\$ -	\$ -	\$ 900	\$ (318)	\$ 550	\$ (45)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>497</u>	<u>497</u>	<u>-</u>	<u>-</u>	<u>1,969</u>	<u>1,969</u>	<u>1,651</u>	<u>1,651</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,869</u></u>	<u><u>\$ 1,651</u></u>	<u><u>\$ 2,201</u></u>	<u><u>\$ 1,606</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	HELP AMERICA VOTE ACT FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	29,004	17,644	23,000	23,124	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	500	1,027	1,000	891
Other	-	333	1,000	15	35,000	33,457	33,500	32,681
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 29,004</u>	<u>\$ 17,977</u>	<u>\$ 24,000</u>	<u>\$ 23,139</u>	<u>\$ 35,500</u>	<u>\$ 34,484</u>	<u>\$ 34,500</u>	<u>\$ 33,572</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ 3,600	\$ -	\$ 3,500	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	25,254	16,903	7,100	7,215	5,400	5,612	4,300	3,706
Services and other	2,950	-	-	-	7,700	7,645	9,900	9,280
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	800	262	16,900	16,736	10,000	10,000	25,000	35,154
Total Disbursements	<u>\$ 29,004</u>	<u>\$ 17,165</u>	<u>\$ 24,000</u>	<u>\$ 23,951</u>	<u>\$ 26,700</u>	<u>\$ 23,257</u>	<u>\$ 42,700</u>	<u>\$ 48,140</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 812	\$ -	\$ (812)	\$ 8,800	\$ 11,227	\$ (8,200)	\$ (14,568)
CASH and CASH EQUIVALENTS, JANUARY 1	-	-	812	812	31,145	31,145	42,372	42,372
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ 812</u>	<u>\$ 812</u>	<u>\$ -</u>	<u>\$ 39,945</u>	<u>\$ 42,372</u>	<u>\$ 34,172</u>	<u>\$ 27,804</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	E-911 FUND			
	Year Ended December 31,			
	2010		2011	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	600,000	615,334	615,000	610,652
Intergovernmental	-	-	-	-
Charges for services	1,000	742	500	
Interest	2,500	2,999	2,500	4,119
Other	-	-	-	94
Transfers in	-	-	-	-
Total Receipts	<u>\$ 603,500</u>	<u>\$ 619,075</u>	<u>\$ 618,000</u>	<u>\$ 614,865</u>
DISBURSEMENTS				
Salaries	\$ 355,962	\$ 352,732	\$ 357,732	\$ 370,132
Employee fringe benefits	76,000	62,565	68,057	70,276
Materials and supplies	24,800	21,544	24,800	5,923
Services and other	136,540	112,333	153,424	118,695
Capital outlay	-	-	-	-
Construction	-	-	-	-
Transfers out	10,000	31,500	-	-
Total Disbursements	<u>\$ 603,302</u>	<u>\$ 580,674</u>	<u>\$ 604,013</u>	<u>\$ 565,026</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 198	\$ 38,401	\$ 13,987	\$ 49,839
CASH, JANUARY 1	<u>80,030</u>	<u>80,030</u>	<u>118,431</u>	<u>118,431</u>
CASH, DECEMBER 31	<u>\$ 80,228</u>	<u>\$ 118,431</u>	<u>\$ 132,418</u>	<u>\$ 168,270</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BENTON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, Circuit Clerk, Collector, Coroner, County Clerk, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, and Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Benton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, Circuit Clerk, Recorder, and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

The Proceeds from the Benton County, Missouri Senior Services property tax levy are distributed to an organization called Care Connection for Aging Services, which provides services to seniors in a thirteen county area. The financial statements of Care Connection for Aging Services are audited by other accountants. Copies of the audited financial statements can be obtained by writing Care Connection for Aging Services, 106 W. Young, P.O. Box 1078, Warrensburg, MO 64093.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are

financed. The County's expendable financial resources are accounted for through governmental funds.

#### C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

#### D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. Adoption of a formal budget is required by law.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>2011</u>	<u>2010</u>
Adult Abuse Fund	X	N/A
Juvenile Detention Fund	N/A	X
Drug Abuse Resistance Education Fund	X	N/A
Deputy Sheriff Supplemental Salary Fund	N/A	X
Tax Maintenance Fund	X	N/A
CART Investment	N/A	X
Election Services	X	N/A

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010, for purposes of taxation were:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 169,323,180	\$ 167,240,620
Personal Property	50,794,415	47,898,117
Railroad and Utilities	11,927,716	11,658,711

During 2011 and 2010, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar years 2011 and 2010, for purposes of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue	\$ 0.1615	\$ 0.1615
Road and Bridge	\$ 0.2047	\$ 0.2047

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the

State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and investment balances are presented in Note 2.

#### G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

### 2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amounts of the County's deposits, were \$2,268,561 and \$2,186,140, respectively, and the bank balances were \$2,642,274 and \$2,700,191, respectively. Of the bank balances, \$381,913 and \$382,288 for December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance and the remainder were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue and Road and Bridge funds. Tax Collections on deposit amounted to \$6,524,507 and \$6,049,438 at December 31, 2011 and 2010, respectively. The County Collector's deposits were covered by federal depository insurance of \$250,000 as of December 31, 2011 and 2010, and the remainder was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

### 3. COUNTY EMPLOYEES' RETIREMENT PLANS

#### A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

### 1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

### 2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

### 3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$131,630 and \$126,552, respectively, for the years then ended.



#### 4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

#### 5. CLAIMS, COMMITMENT AND CONTINGENCIES

##### A. Compensated Absences

The County provides full time employees with up to 40 days of sick time -- to accrue at three-fourths day per complete calendar month of employment. Upon termination, an employee of five years is compensated for 25% to 50% of accrued sick time depending on the length of employment. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to fifteen days per year depending on length of employment. However, employees may only carry over ten vacation days from one year to the next. Any days accrued in excess of ten days will be forfeited at the end of the year.

##### B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

#### 6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

## 7. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2011:

- A. \$26,000 for a capital lease of a John Deere tractor by the Road and Bridge District #2. The lease is scheduled to be paid in three annual payments of \$9,785 including interest at 6.32% annually. The final payment is scheduled for March 2015. Payments are made using available monies in the Special Road and Bridge Fund.
- B. \$158,613 for a capital lease of a Caterpillar motor grader by the Road and Bridge District #1. The lease is scheduled to be paid in five annual payments of \$14,623 including interest at 3.50% annually with a final balloon payment of \$135,000 scheduled for December 2015. Payments are made using available monies in the Special Road and Bridge Fund.
- C. \$45,992 for a capital lease of a Caterpillar motor grader by the Road and Bridge District #2. The lease is scheduled to be paid in seven annual payments of \$12,970 including interest at 5.00% annually. The final payment is scheduled for March 2015. Payments are made using available monies in the Special Road and Bridge Fund.
- D. \$24,536 for a capital lease of a John Deere tractor and mower by the Road and Bridge District #2. The lease is scheduled to be paid in five annual payments of \$13,289 including interest at 4.90% annually. The final payment is scheduled for April 2013. Payments are made using available monies in the Special Road and Bridge Fund.
- E. \$123,533 for a capital lease of a Caterpillar road grader by the Road and Bridge District #2. The lease is scheduled to be paid in six annual payments of \$19,584 including interest at 5.05% annually with a final balloon payment of \$101,024 scheduled for January 2014. Payments are made using available monies in the Special Road and Bridge Fund.

## 8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 23, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

## **COMPLIANCE SECTION**

## McBRIDE, LOCK & ASSOCIATES

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Benton County, Missouri

We have audited the accompanying financial statements of Benton County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated October 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of Benton County, Missouri is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Benton County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton County, Missouri's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 1 through 3, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 4.

We noted a certain other matter that we reported in the accompanying schedule of findings and recommendations section as item 5.

Benton County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Benton County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
October 23, 2012

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Benton County, Missouri

Compliance

We have audited Benton County, Missouri's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the years ended December 31, 2011 and 2010. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

## Internal Control Over Compliance

Management of Benton County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Benton County, Missouri's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
October 23, 2012

BENTON COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2011	2010
	U.S. DEPARTMENT OF AGRICULTURE			
10.665	Passed through Missouri Office of Administration Schools and Roads - Grants to Flood Control	FloodControl	\$ 1,509	\$ 1,881
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Passed through Missouri Department of Economic Development: Community Development Block Grants/State's Program	2010-PF-01	-	125,310
	U.S. DEPARTMENT OF JUSTICE			
16.575	Passed through Missouri Department of Public Safety Crime Victim Assistance	VOCA	26,047	18,406
	U. S. DEPARTMENT OF TRANSPORTATION			
20.205	Passed through Missouri Highways and Transportation Commission: Highway Planning and Construction	BRO-B008(11)	132,551	39,866
20.205	Highway Planning and Construction	BRO-B007(12)	164,393	36,170
20.205	Highway Planning and Construction	STP-9900(571)	412,658	-
20.703	Passed through Missouri Department of Public Safety Interagency Hazardous Materials Public Sector Training and Planning Grants	HMPG	3,747	3,619
	U.S. ELECTION ASSISTANCE COMMISSION			
90.401	Passed through Missouri Office of Secretary of State: Help America Vote Act Requirements Payments	HAVA	23,124	17,644
	U. S. DEPARTMENT OF HOMELAND SECURITY			
97.042	Passed through Missouri Department of Public Safety: Emergency Management Performance Grants	EMPG	15,133	7,362
97.067	Homeland Security Grant Program	HSPG	42,341	143,343
Total Expenditures of Federal Awards			<u>\$ 821,503</u>	<u>\$ 393,601</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards



**BENTON COUNTY, MISSOURI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – SUBRECIPIENTS**

The County provided no federal awards to sub-recipients during the years ended December 31, 2011 and 2010.

BENTON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2011 AND 2010

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Federal Awards:**

Internal Control Over Major Programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be Reported in accordance with section 510(A) of Circular A-133? ☒ Yes ☐ No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk: ☐ Yes ☒ No

## **SECTION II – FINANCIAL STATEMENTS FINDINGS**

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Treasurer's Account Bank Reconciliation
2. Collector's Account Bank Reconciliation
3. Interest Rate Paid on the Collector's Bank Accounts
4. Budgetary Controls
5. Accounting for Transfers

Summary Schedule of Prior Audit Findings:

1. Treasurer's Account Bank Reconciliation
2. Writing and Holding Checks at December 31
3. Internal Controls – Timecards Not Being Signed
4. Expenditures
5. Internal Controls – Sheriff's Office
6. Budgetary Controls
7. Accounting for Transfers
8. Internal Controls – Collector's Office

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

Federal Grantor: U.S. Department of Housing and Urban Development  
Pass-Through Grantor: Missouri Department of Economic Development  
Federal CFDA Number: 14.228  
Program Title: Community Development Block Grant/State's Program  
Pass Through Entity Identifying Number: 2010-PF-01  
Award Year: 2010  
Questioned Costs: None

Federal Grantor: U.S. Department of Transportation  
Pass-Through Grantor: Missouri Highways and Transportation Commission  
Federal CFDA Number: 20.205  
Program Title: Highway Planning and Construction  
Pass Through Entity Identifying Number: BRO-B008(11) and STP-9900(571)  
Award Year: 2011  
Questioned Costs: None

### **11-1. Incorrect Schedule of Expenditures of Federal Awards (SEFA)**

Condition: The County Clerk did not prepare an accurate SEFA for the fiscal years ended December 31, 2010 and December 31, 2011 as required by the Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 300(A). Expenditures incurred in 2010 totaling \$125,310 were not included on the December 31, 2010 Schedule of Expenditures of

Federal Awards. Additionally, expenditures incurred in 2011 were not included on December 31, 2011 Schedule of Expenditures of Federal Awards. Grant receipts were recorded instead of grant expenditures causing expenses totaling \$132,551 related to BRO-B008(11) and expenses totaling \$82,532 related to STP-9900(571) to be omitted from the December 31, 2011 Schedule of Expenditures of Federal Awards. The December 31, 2010 and December 31, 2011 Schedule of Expenditures of Federal Awards included with this report has been adjusted to correct this condition.

Recommendation: We recommend that the County Clerk ensure that expenditures related to federal awards are recorded in the correct fiscal period in conformity with the cash basis of accounting and OMB Circular A-133 requirements.

County Response: The SEFA schedule has been adjusted to reflect the correct expenditures. The County Clerk will ensure the schedule of expenditures of federal awards (SEFA) is reported accurately.

Auditor's Response: The stated corrective action appears appropriate.

#### **SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

## **FINDINGS AND RECOMMENDATIONS**

BENTON COUNTY, MISSOURI  
FINDINGS AND RECOMMENDATIONS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

None

**SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

**1. Treasurer's Account Bank Reconciliation**

Condition: At both December 31, 2011, and December 31, 2010, the Treasurer's Annual Settlement did not reconcile to the respective bank account balance. At December 31, 2011, the Treasurer's Annual Settlement stated cash balance exceeded the reconciled bank account balance by \$158. At December 31, 2010, the Treasurer's Annual Settlement stated cash balance exceeded the reconciled bank account balance by \$13,936. The County Treasurer was unable to explain the cause of these variances.

Recommendation: We recommend that the County Clerk and County Treasurer research the cause of the unidentifiable variances. Additionally, we recommend that the County Treasurer implement the necessary procedures to ensure that the Treasurer's Annual Settlement reconciles without variance to the respective bank account balances each month.

County's Response: The Treasurer believes that the variance in the Annual Settlement was caused due to improper documentation of a balance transfer when the accounting software for his office was changed.

Auditor's Evaluation: The stated corrective action appears appropriate.

**2. Collector's Account Bank Reconciliation**

Condition: On a monthly basis, the County Collector reconciles the bank account balance to the cash-on-hand balance reported in the tax collection accounting software system. At December 31, 2011, and December 31, 2010, the variance between the reconciled bank account balance and the cash-on-hand balance reported in the tax collection accounting software system was \$405 and \$2,185, respectively. The County Collector was unable to explain the cause of these variances.

Recommendation: We recommend that the County Collector implement the necessary procedures to ensure the bank account balance reconciles to the cash-on-hand balance in the tax collection accounting software system without variance.

County's Response: I will implement the necessary procedures to conform with the findings on bank account reconciliations/cash on hand variances.

Auditor's Evaluation: The stated corrective action appears appropriate.

### 3. Interest Rate Paid on the Collector's Bank Accounts

Condition: We noted that the rate bid for the Treasurer's and Collector's bank accounts was an annual percentage yield of 2.54%. However, the Collector's Main account and the Collector's Other account was earning significantly less interest than the negotiated rate. The County Collector was unaware that the interest rate was not being paid at the agreed-upon rate. Inquiry of bank officials during the bank balance confirmation process determined that these accounts were paid a lesser rate due to a clerical error at the bank. Upon notification, Hawthorn Bank calculated interest owed to Benton County and issued payment totaling \$47,592.91 in June 2012 to the County Collector for the additional interest earned but not paid during fiscal years 2008, 2009, 2010 and 2011.

Recommendation: We recommend that the County implement procedures to ensure that bank depository accounts are paid the interest rates negotiated by the elected officials and the respective bank.

County's Response: The problem with the incorrect interest paid on two of my accounts has been resolved.

Auditor's Evaluation: The stated corrective action appears appropriate.

## ITEMS OF NONCOMPLIANCE

### 4. Budgetary Controls

Condition: State statutes prohibit the County from approving expenditures in excess of the budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting. Actual expenditures exceeded budgeted amounts for the following funds and the respective fiscal years:

<u>Fund</u>	<u>2011</u>	<u>2010</u>
Adult Abuse Fund	X	N/A
Juvenile Detention Fund	N/A	X
Drug Abuse Resistance Education Fund	X	N/A
Deputy Sheriff Supplemental Salary Fund	N/A	X
Tax Maintenance Fund	X	N/A
CART Investment	N/A	X
Election Services	X	N/A

Recommendation: We recommend that the County ensure that formal budgets are prepared for all funds and that the County refrain from approving expenditures in excess of budgeted amounts or formally amend the budget if conditions require additional expenditures.

County's Response: The County will implement stricter budgetary monitoring for all funds, and amend the budget for expenditures in excess of budgeted amounts.

Auditor's Evaluation: The stated corrective action appears appropriate.

## **OTHER MATTERS**

In planning and performing our audit of the financial statements of Benton County, Missouri (the County) as of and for the years ended December 31, 2011 and 2010, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the County's financial statements and not for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated June 28, 2012. (A separate report dated June 28, 2012 contains our report on significant deficiencies in the County's internal control.) This document does not affect our report dated June 28, 2012.

### **5. Accounting for Transfers**

Condition: The financial statements of the County as presented in the annual budget document present transfers between funds. However, we noted some transfers identified as expenditures and revenues within the funds for both the fiscal year ended 2010 and the fiscal year ended 2011. The respective statements included with this report have been adjusted to correct this condition.

Recommendation: In order to ensure that transfers are properly reported and are in balance (transfers to other funds is equal to transfers from other funds), we recommend that transfers be clearly identified as transfers and presented in the budget document within the Transfer category.

County Response: The County will implement changes to conform to the audit findings, and identify transfers in the budget document within the transfer category.

Auditor's Evaluation: The stated corrective action appears appropriate.



BENTON COUNTY, MISSOURI  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Benton County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

1. In FY 2008, the County Treasurer had not properly prepared or documented monthly bank reconciliations. In FY 2009, bank reconciliations were performed on a monthly basis, however, a variance of \$3,681 remained at December 31, 2009 between the reconciled bank account balance and the cash ledger balance.

*Status – Not resolved. See Current Finding No. 1.*

2. At December 31, the County was writing and holding checks made payable to three Special Road Districts.

*Status – Resolved.*

3. Of the four timecards reviewed, three of the four selected timesheets had control issues. Two of the respective three were not signed by either the employee or the employee's supervisor. The remaining one of the three was not signed by the employee's supervisor.

*Status – Resolved.*

4. We tested thirty expenditures. We noted nine invoices that were not approved by a department head prior to reaching the County Commission. Additionally, we found one invoice that was mathematically incorrect resulting in an overpayment of \$7.83 by the county.

*Status – Resolved.*

5. At the Sheriff's Office, we noted that the office uses unnumbered counter checks for the sheriff's sale bank account. Additionally, there was no evidence of review of the bank reconciliation.

*Status – Resolved.*

6. The County Commission did not exercise adequate budgetary control over a number of funds during the audit period.

*Status – Not resolved. See Current Finding No. 4*

7. The financial statements of the County as presented in the annual budget document present transfers between funds. However, we noted that some transfers were identified as expenditures and revenues within the funds. Additionally, there were costs identified as reimbursements that were shown as transfers.

*Status – Not Resolved. See Current Finding No. 5.*

8. At the Collector's office, we noted that the Collector herself writes all the checks, mails/distributes the checks, and reconciles the bank account. Only one signature is required on this account.

*Status – Resolved.*



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Bates County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Bates County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich", is positioned above the printed name.

Thomas A. Schweich  
State Auditor

August 2012  
Report No. 2012-87

ANNUAL FINANCIAL REPORT

**BATES COUNTY, MISSOURI**

For the Years Ended  
December 31, 2011 and 2010

BATES COUNTY, MISSOURI  
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## **INTRODUCTORY SECTION**

BATES COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – Donna Gregory

Associate Commissioner – Randy Pike

Associate Commissioner – Larry Berry

*Other Elected Officials*

Assessor – Roger Pruden

Circuit Clerk – Diana Rich

Collector/Treasurer – James Platt

Coroner – Gary Schowengerdt

County Clerk – Marlene Wainscott

Prosecuting Attorney – Hugh Jenkins

Public Administrator – Sharon Cumpton

Recorder – Lucille Munday

Sheriff – Chad Anderson

## **FINANCIAL SECTION**



## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Bates County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Bates County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bates County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Bates County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 18, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bates County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 18, 2012

BATES COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents	
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011	
General Revenue	\$ 679,300	\$ 1,073,070	\$ 935,085	\$ 817,285	\$ 1,118,177	\$ 1,002,159	\$ 933,303	
Special Road & Bridge	227,081	1,047,043	1,046,171	227,953	1,272,638	1,298,337	202,254	
Assessment	123,961	232,137	207,205	148,893	229,905	211,849	166,949	
Law Enforcement Sales Tax	262,298	2,759,729	2,733,670	288,357	2,795,157	2,757,707	325,807	
Recorder's Users Fee	29,633	8,086	16,936	20,783	6,361	16,646	10,498	
Prosecuting Attorney Training	1,769	1,109	130	2,748	1,014	95	3,667	
Law Officer Training	4,858	6,510	5,486	5,882	4,037	9,970	(51)	
Families in Crisis	364	678	671	371	705	677	399	
Local Emergency Planning Committee	10,556	1,246	4,227	7,575	8,536	4,994	11,117	
Sheriff's Civil Fees	27,859	26,879	29,538	25,200	26,451	22,137	29,514	
Sheriff's Revolving	9,823	5,671	3,696	11,798	6,846	8,758	9,886	
Election Services	21,171	29,167	17,291	33,047	6,276	3,050	36,273	
Recorder's Technology	21,794	6,868	15,031	13,631	8,827	7,167	15,291	
Jail Bond	1,495,446	3,372,051	4,380,527	486,970	603,278	471,779	618,469	
Tax Maintenance	29,563	25,487	8,263	46,787	25,054	13,171	58,670	
Prosecuting Attorney	11,314	1,130	345	12,099	341	7,914	4,526	
Deputy Wage Supplement	715	8,013	7,458	1,270	7,320	6,890	1,700	
C.S.I. Fund	-	48,975	51,404	(2,429)	38,729	34,869	1,431	
Local Solicitation Fund	-	12,948	11,989	959	-	857	102	
JAG Fund	-	66,436	74,163	(7,727)	41,888	34,161	-	
Drug Task Force Fund	-	6,247	4,257	1,990	24,988	26,978	-	
Senate Bill 40	35,944	125,133	122,558	38,519	139,504	132,000	46,023	
Prosecuting Attorney Bad Check Fund	284	-	-	284	-	-	284	
Total	<u>\$ 2,993,733</u>	<u>\$ 8,864,613</u>	<u>\$ 9,676,101</u>	<u>\$ 2,182,245</u>	<u>\$ 6,366,032</u>	<u>\$ 6,072,165</u>	<u>\$ 2,476,112</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2010		2011	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 518,200	\$ 501,568	\$ 501,100	\$ 512,251
Sales taxes	-	378	-	201
Intergovernmental	51,300	39,528	57,850	36,469
Charges for services	463,000	451,891	451,800	464,730
Interest	25,000	23,041	23,000	17,582
Other	63,800	56,664	31,475	86,944
Transfers in	-	-	-	-
Total Receipts	<u>\$ 1,121,300</u>	<u>\$ 1,073,070</u>	<u>\$ 1,065,225</u>	<u>\$ 1,118,177</u>
DISBURSEMENTS				
County Commission	\$ 104,280	\$ 98,813	\$ 105,530	\$ 102,457
County Clerk	80,975	69,232	94,950	74,408
Elections	123,700	102,188	84,950	44,260
Buildings and grounds	311,950	94,377	305,100	157,955
Employee fringe benefits	117,000	97,508	119,000	97,686
Treasurer	127,040	102,137	131,900	106,694
Recorder of Deeds	88,244	81,148	82,144	80,399
Circuit Court	24,800	10,610	21,700	26,501
Court administration	38,927	13,434	36,674	16,054
Public Administrator	52,700	48,863	62,600	56,752
Emergency Management	136,250	63,420	128,250	92,962
Other County Government	200,750	150,355	224,700	143,031
Public Health/Welfare	3,000	3,000	3,000	3,000
Emergency fund	25,000	-	25,000	-
Total Disbursements	<u>\$ 1,434,616</u>	<u>\$ 935,085</u>	<u>\$ 1,425,498</u>	<u>\$ 1,002,159</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (313,316)	\$ 137,985	\$ (360,273)	\$ 116,018
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>679,300</u>	<u>679,300</u>	<u>817,285</u>	<u>817,285</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 365,984</u></u>	<u><u>\$ 817,285</u></u>	<u><u>\$ 457,012</u></u>	<u><u>\$ 933,303</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ 50,000	\$ 53,984	\$ 50,000	\$ 54,173	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,421,000	962,481	1,665,760	1,190,586	243,300	213,712	221,456	213,544
Charges for services	-	-	-	-	1,900	1,849	1,850	7,275
Interest	11,000	6,717	6,500	4,773	6,000	4,231	4,000	3,331
Other	16,300	23,861	10,300	23,106	7,650	12,345	12,280	5,755
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,498,300</u>	<u>\$ 1,047,043</u>	<u>\$ 1,732,560</u>	<u>\$ 1,272,638</u>	<u>\$ 258,850</u>	<u>\$ 232,137</u>	<u>\$ 239,586</u>	<u>\$ 229,905</u>
DISBURSEMENTS								
Salaries	\$ 234,148	\$ 219,306	\$ 237,500	231,823	\$ 137,000	\$ 135,473	\$ 141,350	\$ 137,780
Employee fringe benefits	68,500	68,731	70,500	65,532	44,400	41,294	46,445	39,961
Materials and supplies	4,400	4,318	4,200	2,852	18,250	9,525	17,300	13,065
Services and Other	329,250	369,894	326,950	298,640	32,050	20,913	29,250	21,043
Capital Outlay	170,900	94,244	136,900	139,252	-	-	-	-
Construction	905,000	289,678	1,127,000	560,238	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,712,198</u>	<u>\$ 1,046,171</u>	<u>\$ 1,903,050</u>	<u>\$ 1,298,337</u>	<u>\$ 231,700</u>	<u>\$ 207,205</u>	<u>\$ 234,345</u>	<u>\$ 211,849</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (213,898)	\$ 872	\$ (170,490)	\$ (25,699)	\$ 27,150	\$ 24,932	\$ 5,241	\$ 18,056
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>227,081</u>	<u>227,081</u>	<u>227,953</u>	<u>227,953</u>	<u>123,961</u>	<u>123,961</u>	<u>148,893</u>	<u>148,893</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 13,183</u>	<u>\$ 227,953</u>	<u>\$ 57,463</u>	<u>\$ 202,254</u>	<u>\$ 151,111</u>	<u>\$ 148,893</u>	<u>\$ 154,134</u>	<u>\$ 166,949</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				RECORDER'S USERS FEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	650,000	635,227	640,000	698,558	-	-	-	-
Intergovernmental	197,500	183,836	193,000	153,913	-	-	-	-
Charges for services	1,893,000	1,840,124	1,974,250	1,840,325	6,500	7,606	7,000	6,173
Interest	7,500	6,913	7,500	3,760	1,000	480	500	188
Other	110,575	93,629	102,115	98,601	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 2,858,575</u>	<u>\$ 2,759,729</u>	<u>\$ 2,916,865</u>	<u>\$ 2,795,157</u>	<u>\$ 7,500</u>	<u>\$ 8,086</u>	<u>\$ 7,500</u>	<u>\$ 6,361</u>
DISBURSEMENTS								
Salaries	\$ 1,357,144	\$ 1,245,201	\$ 1,349,726	\$ 1,242,658	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	340,400	348,076	343,000	347,043	-	-	-	-
Materials and supplies	528,016	397,252	506,483	387,360	28,700	16,936	25,700	16,646
Services and other	856,453	743,141	951,695	780,646	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 3,082,013</u>	<u>\$ 2,733,670</u>	<u>\$ 3,150,904</u>	<u>\$ 2,757,707</u>	<u>\$ 28,700</u>	<u>\$ 16,936</u>	<u>\$ 25,700</u>	<u>\$ 16,646</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (223,438)	\$ 26,059	\$ (234,039)	\$ 37,450	\$ (21,200)	\$ (8,850)	\$ (18,200)	\$ (10,285)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>262,298</u>	<u>262,298</u>	<u>288,357</u>	<u>288,357</u>	<u>29,633</u>	<u>29,633</u>	<u>20,783</u>	<u>20,783</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 38,860</u>	<u>\$ 288,357</u>	<u>\$ 54,318</u>	<u>\$ 325,807</u>	<u>\$ 8,433</u>	<u>\$ 20,783</u>	<u>\$ 2,583</u>	<u>\$ 10,498</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW OFFICER TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,400	2,033	2,000	-
Charges for services	1,200	1,109	1,200	1,014	5,000	4,375	4,500	3,985
Interest	-	-	-	-	50	102	100	52
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 1,200</u>	<u>\$ 1,109</u>	<u>\$ 1,200</u>	<u>\$ 1,014</u>	<u>\$ 7,450</u>	<u>\$ 6,510</u>	<u>\$ 6,600</u>	<u>\$ 4,037</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	500	130	550	-	4,500	4,613	4,000	4,001
Services and other	1,300	-	1,100	95	6,500	873	6,500	5,969
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,800</u>	<u>\$ 130</u>	<u>\$ 1,650</u>	<u>\$ 95</u>	<u>\$ 11,000</u>	<u>\$ 5,486</u>	<u>\$ 10,500</u>	<u>\$ 9,970</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (600)	\$ 979	\$ (450)	\$ 919	\$ (3,550)	\$ 1,024	\$ (3,900)	\$ (5,933)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,769</u>	<u>1,769</u>	<u>2,748</u>	<u>2,748</u>	<u>4,858</u>	<u>4,858</u>	<u>5,882</u>	<u>5,882</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,169</u>	<u>\$ 2,748</u>	<u>\$ 2,298</u>	<u>\$ 3,667</u>	<u>\$ 1,308</u>	<u>\$ 5,882</u>	<u>\$ 1,982</u>	<u>\$ (51)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	FAMILIES IN CRISIS				LOCAL EMERGENCY PLANNING COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	750	678	675	705	5,500	1,000	-	8,406
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	246	-	130
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 750</u>	<u>\$ 678</u>	<u>\$ 675</u>	<u>\$ 705</u>	<u>\$ 5,500</u>	<u>\$ 1,246</u>	<u>\$ -</u>	<u>\$ 8,536</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	1,000	671	1,000	677	14,000	4,227	7,000	4,994
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,000</u>	<u>\$ 671</u>	<u>\$ 1,000</u>	<u>\$ 677</u>	<u>\$ 14,000</u>	<u>\$ 4,227</u>	<u>\$ 7,000</u>	<u>\$ 4,994</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (250)	\$ 7	\$ (325)	\$ 28	\$ (8,500)	\$ (2,981)	\$ (7,000)	\$ 3,542
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>364</u>	<u>364</u>	<u>371</u>	<u>371</u>	<u>10,556</u>	<u>10,556</u>	<u>7,575</u>	<u>7,575</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 114</u>	<u>\$ 371</u>	<u>\$ 46</u>	<u>\$ 399</u>	<u>\$ 2,056</u>	<u>\$ 7,575</u>	<u>\$ 575</u>	<u>\$ 11,117</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.



BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S CIVIL FEES FUND				SHERIFF'S REVOLVING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	40,000	26,204	30,000	26,055	10,000	5,425	5,600	6,650
Charges for services	-	-	-	-	-	-	-	-
Interest	700	675	600	396	400	246	250	196
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 40,700</u>	<u>\$ 26,879</u>	<u>\$ 30,600</u>	<u>\$ 26,451</u>	<u>\$ 10,400</u>	<u>\$ 5,671</u>	<u>\$ 5,850</u>	<u>\$ 6,846</u>
DISBURSEMENTS								
Salaries	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	50,000	29,538	40,000	22,137	18,000	3,696	10,000	8,758
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 29,538</u>	<u>\$ 40,000</u>	<u>\$ 22,137</u>	<u>\$ 18,000</u>	<u>\$ 3,696</u>	<u>\$ 10,000</u>	<u>\$ 8,758</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (9,300)	\$ (2,659)	\$ (9,400)	\$ 4,314	\$ (7,600)	\$ 1,975	\$ (4,150)	\$ (1,912)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>27,859</u>	<u>27,859</u>	<u>25,200</u>	<u>25,200</u>	<u>9,823</u>	<u>9,823</u>	<u>11,798</u>	<u>11,798</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 18,559</u>	<u>\$ 25,200</u>	<u>\$ 15,800</u>	<u>\$ 29,514</u>	<u>\$ 2,223</u>	<u>\$ 11,798</u>	<u>\$ 7,648</u>	<u>\$ 9,886</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	ELECTION SERVICES FUND				RECORDER'S TECHNOLOGY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	10,000	28,560	4,500	5,772	5,000	6,455	5,600	8,610
Charges for services	-	-	-	-	-	-	-	-
Interest	750	607	600	504	700	413	400	217
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 10,750</u>	<u>\$ 29,167</u>	<u>\$ 5,100</u>	<u>\$ 6,276</u>	<u>\$ 5,700</u>	<u>\$ 6,868</u>	<u>\$ 6,000</u>	<u>\$ 8,827</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	10,000	17,291	10,000	3,050	21,000	15,031	15,000	7,167
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 17,291</u>	<u>\$ 10,000</u>	<u>\$ 3,050</u>	<u>\$ 21,000</u>	<u>\$ 15,031</u>	<u>\$ 15,000</u>	<u>\$ 7,167</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 750	\$ 11,876	\$ (4,900)	\$ 3,226	\$ (15,300)	\$ (8,163)	\$ (9,000)	\$ 1,660
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>21,171</u>	<u>21,171</u>	<u>33,047</u>	<u>33,047</u>	<u>21,794</u>	<u>21,794</u>	<u>13,631</u>	<u>13,631</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 21,921</u>	<u>\$ 33,047</u>	<u>\$ 28,147</u>	<u>\$ 36,273</u>	<u>\$ 6,494</u>	<u>\$ 13,631</u>	<u>\$ 4,631</u>	<u>\$ 15,291</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	JAIL BOND FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	535,000	587,326	588,000	562,693	-	-	-	-
Intergovernmental	-	-	-	-	23,000	24,586	24,000	24,275
Charges for services	-	-	-	-	1,000	901	1,000	779
Interest	-	15	-	1,540	-	-	-	-
Other	-	-	-	39,045	-	-	-	-
Proceeds from Refunding Certificates of Participation	-	2,784,710	-	-	-	-	-	-
Total Receipts	<u>\$ 535,000</u>	<u>\$ 3,372,051</u>	<u>\$ 588,000</u>	<u>\$ 603,278</u>	<u>\$ 24,000</u>	<u>\$ 25,487</u>	<u>\$ 25,000</u>	<u>\$ 25,054</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	535,000	-	588,000	38,264	49,500	8,263	65,000	13,171
Principal Payments - Certificates of Participations	-	4,190,000	-	370,000	-	-	-	-
Interest	-	170,485	-	62,574	-	-	-	-
Trust Management / Debt Issuance Costs	-	20,042	-	941	-	-	-	-
Total Disbursements	<u>\$ 535,000</u>	<u>\$ 4,380,527</u>	<u>\$ 588,000</u>	<u>\$ 471,779</u>	<u>\$ 49,500</u>	<u>\$ 8,263</u>	<u>\$ 65,000</u>	<u>\$ 13,171</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ (1,008,476)	\$ -	\$ 131,499	\$ (25,500)	\$ 17,224	\$ (40,000)	\$ 11,883
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,495,446</u>	<u>1,495,446</u>	<u>486,970</u>	<u>486,970</u>	<u>29,563</u>	<u>29,563</u>	<u>46,787</u>	<u>46,787</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,495,446</u></u>	<u><u>\$ 486,970</u></u>	<u><u>\$ 486,970</u></u>	<u><u>\$ 618,469</u></u>	<u><u>\$ 4,063</u></u>	<u><u>\$ 46,787</u></u>	<u><u>\$ 6,787</u></u>	<u><u>\$ 58,670</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY FUND				DEPUTY WAGE SUPPLEMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,500	823	1,000	119	8,000	8,013	8,000	7,320
Charges for services	-	-	-	-	-	-	-	-
Interest	500	307	300	222	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,000</u>	<u>\$ 1,130</u>	<u>\$ 1,300</u>	<u>\$ 341</u>	<u>\$ 8,000</u>	<u>\$ 8,013</u>	<u>\$ 8,000</u>	<u>\$ 7,320</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	345	-	7,914	8,000	7,458	8,000	6,890
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ 345</u>	<u>\$ -</u>	<u>\$ 7,914</u>	<u>\$ 8,000</u>	<u>\$ 7,458</u>	<u>\$ 8,000</u>	<u>\$ 6,890</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 3,000	\$ 785	\$ 1,300	\$ (7,573)	\$ -	\$ 555	\$ -	\$ 430
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>11,314</u>	<u>11,314</u>	<u>12,099</u>	<u>12,099</u>	<u>715</u>	<u>715</u>	<u>1,270</u>	<u>1,270</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 14,314</u>	<u>\$ 12,099</u>	<u>\$ 13,399</u>	<u>\$ 4,526</u>	<u>\$ 715</u>	<u>\$ 1,270</u>	<u>\$ 1,270</u>	<u>\$ 1,700</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	C.S.I. FUND				LOCAL SOLICITATION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	87,041	48,975	40,081	38,729	12,965	12,948	17	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 87,041</u>	<u>\$ 48,975</u>	<u>\$ 40,081</u>	<u>\$ 38,729</u>	<u>\$ 12,965</u>	<u>\$ 12,948</u>	<u>\$ 17</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ 18,352	\$ 19,198	\$ 22,321	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	4,649	7,094	5,940	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	87,041	28,403	9,038	6,608	12,965	11,989	970	857
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 87,041</u>	<u>\$ 51,404</u>	<u>\$ 35,330</u>	<u>\$ 34,869</u>	<u>\$ 12,965</u>	<u>\$ 11,989</u>	<u>\$ 970</u>	<u>\$ 857</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ (2,429)	\$ 4,751	\$ 3,860	\$ -	\$ 959	\$ (953)	\$ (857)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>-</u>	<u>-</u>	<u>(2,429)</u>	<u>(2,429)</u>	<u>-</u>	<u>-</u>	<u>959</u>	<u>959</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ (2,429)</u>	<u>\$ 2,322</u>	<u>\$ 1,431</u>	<u>\$ -</u>	<u>\$ 959</u>	<u>\$ 6</u>	<u>\$ 102</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	JAG FUND				DRUG TASK FORCE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	66,436	147,000	41,888	-	6,247	51,000	24,988
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ -	\$ 66,436	\$ 147,000	\$ 41,888	\$ -	\$ 6,247	\$ 51,000	\$ 24,988
DISBURSEMENTS								
Salaries	\$ -	\$ 21,358	\$ 88,000	\$ 19,825	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	5,428	11,100	2,023	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	47,377	39,200	12,313	-	4,257	50,710	26,978
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ 74,163	\$ 138,300	\$ 34,161	\$ -	\$ 4,257	\$ 50,710	\$ 26,978
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ (7,727)	\$ 8,700	\$ 7,727	\$ -	\$ 1,990	\$ 290	\$ (1,990)
CASH AND CASH EQUIVALENTS, JANUARY 1	-	-	(7,727)	(7,727)	-	-	1,990	1,990
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ (7,727)	\$ 973	\$ -	\$ -	\$ 1,990	\$ 2,280	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SENATE BILL 40 FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ 132,000	\$ 124,390	\$ 125,250	\$ 125,336	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	1,000	743	750	347	-	-	-	-
Other	-	-	-	13,821	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 133,000</u>	<u>\$ 125,133</u>	<u>\$ 126,000</u>	<u>\$ 139,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	166,500	122,558	162,000	132,000	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 166,500</u>	<u>\$ 122,558</u>	<u>\$ 162,000</u>	<u>\$ 132,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (33,500)	\$ 2,575	\$ (36,000)	\$ 7,504	\$ -	\$ -	\$ -	\$ -
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>35,944</u>	<u>35,944</u>	<u>38,519</u>	<u>38,519</u>	<u>284</u>	<u>284</u>	<u>284</u>	<u>284</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2,444</u>	<u>\$ 38,519</u>	<u>\$ 2,519</u>	<u>\$ 46,023</u>	<u>\$ 284</u>	<u>\$ 284</u>	<u>\$ 284</u>	<u>\$ 284</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BATES COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bates County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, Circuit Clerk, Collector/Treasurer, Coroner, County Clerk, Prosecuting Attorney, Public Administrator, Recorder, and Sheriff.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by the Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Bates County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector/Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.



### C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

### D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the following funds:

<u>Fund</u>	<u>2011</u>	<u>2010</u>
JAG Fund	N/A	X
Drug Task Force Fund	N/A	X

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2011</u>	<u>2010</u>
Election Services Fund	N/A	X
Jail Bond Fund	N/A	X
Prosecuting Attorney Fund	X	X

Also, because a budget was not adopted for the JAG Fund and the Drug Task Force Fund as noted in Note 1.D.9, expenditures in those funds exceeded budgetary authority to the extent that a budget was not adopted.

11. Chapter 50.610 and Chapter 50.740, RSMo require that counties prepare budgets that balance proposed expenditures with estimated revenues and other sources of financial resources. Accordingly, counties are not authorized to have deficit fund balances. The following funds have deficit fund balances:

	<u>2011</u>	<u>2010</u>
Law Officer Training	X	N/A
C.S.I. Fund	N/A	X
JAG Fund	N/A	X

#### E. Property Taxes

Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to tax payers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundries for the calendar year 2011 and 2010 for purposes of taxation was:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 125,720,204	\$124,210,426
Personal Property	42,070,501	42,060,880
Railroad and Utilities	18,523,091	17,061,037

During 2011 and 2010 the County Commission Approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2011 and 2010 for purposes of county taxation as follows:

	<u>2011</u>	<u>2010</u>
General Revenue	0.2711	0.2711
Senate Bill 40	0.0700	0.0700

#### F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions.

#### G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

## 2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments. Investments are considered short-term when original maturities are less than three months. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions, and short-term U.S. Treasury bills.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and

2010, the carrying amounts of the County's deposits were \$2,476,112 and \$2,182,245, respectively, and the bank balances were \$2,199,627 and \$2,161,453, respectively. Of the bank balances, \$335,706 and \$296,542 at December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance, and the remainder was covered by collateral held at the County's safekeeping bank agent in the County's name and by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County. Tax collections on deposit amounted to \$6,710,049 and \$6,995,672 at December 31, 2011 and 2010, respectively. The County Collector's deposits were covered entirely by collateral held at the County's safekeeping bank agent in the County's name and by a line of credit held by the County or by its agent in the County's name.

### 3. COUNTY EMPLOYEES' RETIREMENT PLANS

#### A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

##### 1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

##### 2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

### 3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$174,526 and \$182,763, respectively, for the years then ended.

## 4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

## 5. CLAIMS, COMMITMENT AND CONTINGENCIES

### A. Compensated Absences

The County provides full time employees with thirty to sixty days of sick time, depending on length of employment, to accrue at three-fourths days per calendar month of employment. Upon termination accumulated sick leave will not be reimbursed. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to fifteen days per year depending on the length of employment. Employees with less than ten years of employment may carry over ten days and employees with at least ten years of employment may carry over fifteen vacation days from one year to the next. Any days accrued in excess of these are to be forfeited at the end of the year.

### B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

## 6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

## 7. LONG TERM DEBT – CERTIFICATES OF PARTICIPATION

The County originally entered into a lease purchase agreement with First Bank of Missouri on March 1, 2002. The terms of the agreement call for the County to lease the law enforcement and detention center to First Bank of Missouri, and for the bank to lease the law enforcement and detention center back to the County with lease payments equal to the amount due to retire the indebtedness. Certificates of Participation totaling \$5,590,000 were issued by First Bank of Missouri on behalf of the County and the proceeds of those certificates were used to construct the law enforcement and detention center. The lease was originally scheduled to be fully paid in 2017.

On August 25, 2010, L.J. Hart and Company acted as the underwriter to refinance the Bates County Series 2002 and Series 2003 certificates. At the time of the refinancing, the outstanding principal and interest due on the lease was \$3,870,000 and \$76,165, respectively. Trust funds on hand totaling \$1,395,881 were used to pay down the debt. The Series 2010 Lease Refunding Certificates of Participation totaled \$2,820,000. The Series 2010 certificates are scheduled to be fully paid in 2017.

At December 31, 2011, the outstanding remaining principal and interest due on the lease was \$2,450,000 and \$189,318, respectively. These Certificates of Participation are to be paid with the revenue generated from the capital improvement sales tax which was passed on November 6, 2001. Interest expense paid on the certificates is presented as debt service on the Jail Bond Fund financial statements, and amounted to \$62,574 and \$170,485 in fiscal years 2011 and 2010, respectively.

The County maintains proceeds from sales tax revenues in a financial institution pursuant to a trust agreement. The balance of approximately \$618,469 at December 31, 2011 was held in Federal Treasury Obligation funds and a certificate of deposit with an independent trustee.

#### 8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 18, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

## **COMPLIANCE SECTION**



## McBRIDE, LOCK & ASSOCIATES

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission and  
Officeholders of Bates County, Missouri

We have audited the accompanying financial statements of Bates County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of Bates County, Missouri is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bates County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bates County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bates County, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider item 1 as described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2 as described in the accompany schedule of findings and questioned costs to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bates County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 3 through 5.

We noted certain other matters that we reported to management of Bates County, Missouri in the findings and questioned costs section as items 6 through 8.

Bates County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Bates County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 18, 2012

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Bates County, Missouri

Compliance

We have audited Bates County, Missouri's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the years ended December 31, 2011 and 2010. The County's major federal program is identified in the summary of auditors results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

Internal Control Over Compliance

Management of Bates County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the County's internal control over compliance with the requirements that could have a direct and

material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Bates County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 18, 2012

BATES COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2011	2010
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through Missouri Department of Economic Development:			
14.228	Community Development Block Grants/State's Program	2008-PF-946	\$ 206,982	\$ -
	U.S. DEPARTMENT OF JUSTICE			
	Passed through Missouri Department of Public Safety			
16.738	Edward Bryne Memorial Justice Assistance Grant Program	*	34,161	4,257
16.804	ARRA -- Edward Bryne Memorial Justice Assistance Grant Program	2009-JAG-RA-041	26,979	11,989
16.808	ARRA -- Edward Bryne Memorial Competitive Grant Program	2009-SC-B9-0094	34,868	51,404
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through Missouri Highways and Transportation Commission:			
20.205	Highway Planning and Construction	BRO-B007(16)	5,632	37,821
20.205	Highway Planning and Construction	BRO-B007(17)	26,574	-
20.205	Highway Planning and Construction	BRO-B007(18)	282,452	22,793
20.205	Highway Planning and Construction	BRO-B007(19)	67,394	32,294
	U.S. ELECTION ASSISTANCE COMMISSION			
	Passed through Missouri Office of Secretary of State:			
90.401	Help America Vote Act Requirements Payments	HAVA	3,633	7,496
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through Missouri Department of Public Safety:			
97.042	Emergency Management Performance Grants	EMPG	26,769	34,764
Total Expenditures of Federal Awards			<u>\$ 715,444</u>	<u>\$ 202,818</u>

\* - The County was unable to provide the Pass-Through Entity Identifying Number. The County was unable to locate the grant agreement for this award. See Federal Finding No. 2011-2

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**BATES COUNTY, MISSOURI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – SUBRECIPIENTS**

The County provided no federal awards to sub-recipients during the years ended December 31, 2011 and 2010.

BATES COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2011 AND 2010

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        None Reported
- Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards:**

Internal Control Over Major Programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        No

Type of Auditor's Report Issued on Compliance For Major Programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(A) of Circular A-133?   X   Yes        No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway and Transportation – Highway Planning and Construction

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$300,000

Auditee Qualified as low-risk:        Yes   X   No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Internal Control Weaknesses with the County Clerk and County Commission
2. Insufficient Administration of County Employee Benefit
3. Deputy County Clerk's Salary Charged to the Special Road and Bridge Fund
4. Failure to Document Rationale for Not Selecting the Lowest Bid
5. Budgetary Compliance
6. Internal Control Deficiencies Regarding the Payroll Process
7. Record Retention
8. Stale-Dated Outstanding Checks in Treasurer's Main Bank Account

Summary Schedule of Prior Audit Findings:

1. Electronic Payments Through the Treasurer's General Bank Account After Warrant Checks Were Executed
2. Payment of Invoices Without Adequate Supporting Documentation
3. Budgetary Controls
4. Timely Filing of Collector's Annual Settlement
5. Absence of Investment Policy

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Federal Grantor: U.S. Election Assistance Commission  
Pass through Grantor: Missouri Office of Secretary of State  
Federal CFDA Number: 90.401  
Program Title: Help America Vote Act Requirements Payments  
Pass through Entity Identifying Numbers: HAVA  
Award Years: 2010 and 2011  
Questioned Costs: None

Federal Grantor: U.S. Department of Homeland Security  
Pass through Grantor: Missouri Department of Public Safety  
Federal CFDA Number: 97.042  
Program Title: Emergency Management Performance Grants  
Pass through Entity Identifying Numbers: EMPG  
Award Years: 2010 and 2011  
Questioned Costs: None

Federal Grantor: U.S. Department of Justice  
Pass through Grantor: Missouri Department of Public Safety  
Federal CFDA Number: 16.804  
Program Title: ARRA – Edward Byrne Memorial Justice Assistance Grant Program  
Pass through Entity Identifying Numbers: 2009 – JAG –RA-041  
Award Years: 2010 and 2011  
Questioned Costs: None



Federal Grantor: U.S. Department of Transportation  
Pass through Grantor: Missouri Department of Public Safety  
Federal CFDA Number: 16.738  
Program Title: Edward Bryne Memorial Justice Assistance Grant Program  
Pass through Entity Identifying Number: \*  
Award Years: 2010 and 2011  
Questioned Costs: None

Federal Grantor: U.S. Department of Transportation  
Pass through Grantor: Missouri Department of Public Safety  
Federal CFDA Number: 16.804  
Program Title: Edward Bryne Memorial Competitive Grant Program  
Pass through Entity Identifying Number: 2009 – SC-B9-0094  
Award Years: 2010 and 2011  
Questioned Costs: None

- \* The County was unable to provide the Pass-Through Entity Identifying Number. The County was unable to locate the grant agreement for this award. See Federal Finding No. 2011-2.

See Findings and Recommendation Sections, Findings 2011-1 and 2011-2 entitled:  
2011-1. Failure to Reconcile Expenditures Reported on the Schedule of Expenditures of  
Federal Awards to the Expense Ledgers  
2011-2. Document Retention

**SECTION IV – FOLLOW-UP ON PRIOR YEAR’S FEDERAL AWARD FINDINGS AND  
QUESTIONED COSTS**

None

## **FINDINGS AND QUESTIONED COSTS**

BATES COUNTY, MISSOURI  
FINDINGS AND QUESTIONED COSTS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

**1. Internal Control Weaknesses with the County Clerk and the County Commission**

Condition: Audit testwork identified multiple internal control weaknesses in the operating environment of the County Clerk and County Commission offices pertaining to the approval of County expenditures and the issuance of the respective warrants. When considered cumulatively, these individual weaknesses have the potential to allow a material misstatement of the financial statements to occur. These weaknesses include:

- There is no procedure in place to ensure that warrants executed by the Presiding Commissioner correspond to invoices approved by the Commission. The Presiding Commissioner executes warrants without reviewing the accompanying invoices. Currently, at each Commission meeting the County Clerk presents the County Commission with a selection of invoices requiring approval. Once approved, invoices are returned to the County Clerk's office where they are to be entered into the system and then filed by vendor. A warrant register is generated and the individual warrants are provided to the Presiding Commissioner to be executed.
- The County Clerk has a signature stamp that is made available to the deputy clerks to execute warrants when she is unavailable. We were advised that signing authority is given/implied for all employees in the County Clerk's office as they are deputies of the County. Our review of cancelled checks revealed a lack of separation of duties because the deputy who processes payroll also executes payroll warrants (on behalf of the County Clerk) and thus was able to initiate, process, approve and generate payroll checks without knowledge, review or approval of another party. The deputy who processes other expenditures also executes expenditure warrants (on behalf of the County Clerk) and thus was able to initiate, process, approve and generate expenditure checks without knowledge, review or approval of another party.
- There is a lack of adequate review of the expenditures approved by the County Commission. Control totals are not utilized when approving warrants nor are invoices recalculated prior to approval for payment. Additionally, there is no standard as to what constitutes as an acceptable invoice by the County. We observed that payments were made based on post-it notes, hand-written invoices and summary statements.
- Review of supporting invoices found that seven out of the twenty invoices reviewed were paid without the Approval of the Presiding Commissioner's stamp on the invoice.

The following exceptions identified during our testwork of expenditures and disbursements relate to the above mentioned internal control weaknesses.

- The Assessor was overpaid by \$3.38 as the result of a footing error that went undetected in a reimbursement request.
- A vendor was overpaid by \$1,046 because an invoice was entered into the computer system twice. Controls were inadequate to prevent or detect this error.

- An invoice submitted to the County for a hitch totaling \$3,300 provided insufficient information. The document supporting the payment only listed the company name, the description “hitch”, and the amount \$3,300. It was hand-written on a piece of paper from a 5”x7” note pad. There was no date, invoice number, company address (for purposes of generating IRS form 1099) or adequate description of the asset purchased.
- A warrant for \$1,359.80 to be paid to the Election Service Fund was initiated by the County Clerk and approved for payment. There was no documentation or a calculation included with the invoice to support the amount of the approved warrant.
- A reimbursement request submitted by the Coroner failed to adequately support requested funds. Meal receipts were not included for \$68 in meal charges and there was no support for mileage traveled.

Recommendation: We recommend that the County Clerk and the County Commission revise current policies and establish new procedures to ensure an adequate internal control structure to ensure that disbursements of County funds are for reasonable, authorized purposes.

County Response: The County Clerk’s signature stamp is rarely used. In the event that the Deputy Clerks use the signature stamp on account payable warrants, the Commission has final approval on the invoices for payment. The Treasurer’s signature makes the warrant a check. Warrants are no longer issued for payroll. The payroll register is approved by the County Clerk, the Presiding Commissioner, and the Treasurer before being submitted to our bank. The County Clerk and Commission have revised procedures to address auditors concerns. The Commission currently compares invoices for payment to respective checks. This should alleviate internal control weaknesses.

Auditor’s Evaluation: The stated corrective action is responsive to the concern.

## **SIGNIFICANT INTERNAL CONTROL DEFICIENCY**

### **2. Insufficient Administration of County Employee Benefit**

Condition: The County entered into a verbal agreement with local fitness centers to pay membership costs as a wellness benefit for employees who met certain usage criteria. Review of the administration of this benefit found that, in addition to not having a written contract detailing the financial and usage terms, invoices used for payment lacked sufficient details such as company name, letterhead information, and amount due to determine authenticity and did not support the amounts paid to the fitness centers. Of the six invoices reconciled to the County General Ledger, we identified three instances in which the County paid membership fees for individuals who did not meet the required usage terms.

Recommendation: We recommend the County create a written agreement detailing the financial, documentation, and usage terms of the benefit and implement procedures to ensure payment is only made for those individuals who meet the required terms.

County’s Response: The County will create a written detailed agreement with usage terms. The Deputy County Clerk reviews the billings and does not pay for employees that do not meet the required usage.

Auditor’s Evaluation: The stated corrective action is responsive to the concern.

## **ITEMS OF NONCOMPLIANCE**

### **3. Deputy County Clerk's Salary Charged to the Special Road and Bridge Fund**

Condition: Throughout the fiscal years ended December 31, 2011 and December 31, 2010, the salary for a Deputy County Clerk was paid in its entirety from the Road and Bridge fund. While this clerk performs some tasks for the Road and Bridge department, the County was unable to provide documentation that she expended 100% of her time on Road and Bridge department activities, and her duties do not appear to warrant the 100% allocation of her salary to that fund when her other responsibilities performed as deputy county clerk are considered. This is in addition to the administrative service fees the County imposes, in accordance with State Statutes, on the Special Road and Bridge fund.

Recommendation: We recommend that the County implement procedures to determine an adequate level of administrative service fees to be charged to the Road and Bridge fund and avoid duplicating these charges through the direct allocation of employee salaries.

County Response: Per RSMo. 50.515, the County is allowed to charge the Deputy Clerk's Salary to the Special Road and Bridge Fund.

Auditor's Evaluation: The stated corrective action is not responsive to the concern. The audit concurs that RSMo. 50.515 allows the county to impose an administrative fee to the Special Road and Bridge Fund to recoup administrative expenditures. However, this statute also states that "Any administrative service fee imposed under this section shall be imposed at a rate which will only generate revenue sufficient to recoup actual expenditures made from the general revenue fund of the county to provide administrative services to the fund against which such service fee is imposed...". The County failed to impose an administrative fee respective to actual expenditures incurred during the Deputy County Clerk's administration efforts for the Special Road and Bridge Fund.

### **4. Failure to Document Rationale for Not Selecting the Lowest Bid**

Condition: The County Commission failed to document in the board meeting minutes their rationale for not selecting the lowest bid for the Courthouse Bat Removal project. Total funds expended for this project were \$50,700.

Recommendation: We recommend that the County Commission document their bid selection rationale in the Commission Meeting Minutes.

County Response: The County informed Auditors of the reason for not selecting the lowest bid. The Commission approved the contractor that provided "the best" overall bid. In the future, the Commission will document rationale if the "lowest bid" is not accepted.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

## 5. Budgetary Compliance

Condition: We noted three areas of noncompliance with State Statutes regarding the County's budgeting process during 2011 and 2010, as follows:

- a) Adoption of a formal budget is required by law. However, the County did not adopt formal budgets for the JAG Fund and the Drug Task Force Fund in fiscal year 2010. These funds were created and monies were expended without budgetary authority during fiscal year 2010.
- b) Actual expenditures exceeded budgeted expenditures for the following funds in 2011 and 2010 by more than an inconsequential amount:

	<u>2011</u>	<u>2010</u>
Election Services Fund	N/A	X
Jail Bond Fund	N/A	X
Prosecuting Attorney Fund	X	X

Also, because a budget was not adopted for the JAG Fund and the Drug Task Force Fund in fiscal year 2010, expenditures in those funds exceeded budgetary authority to the extent that a budget was not adopted.

State statutes (Chapters 50.610 and 50.740 RSMo) prohibit the County from approving expenditures in excess of the authorized budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

- c) The County Commission approved expenditures in excess of available monies which resulted in deficit fund balances for the Law Officer Training Fund at December 31, 2011, the C.S.I. Fund at December 31, 2010, and the JAG Fund at December 31, 2010. Chapter 50.610 and Chapter 50.740, RSMo, requires that counties prepare budgets that balance expenditures with estimated revenues and other sources of financial resources. Accordingly, counties are not authorized to have deficit fund balances.

Recommendation: We recommend the County Commission and County Clerk ensure compliance with State Statutes and the Missouri Constitution by adopting a formal budget for all funds and refraining from approving expenditures in excess of budgeted amounts or in excess of available funds. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in a public meeting and formally adopted by the County Commission.

County Response: In the event it is necessary for new funds to be created after the originally adopted budget, budgetary amendments as allowed by states statutes, shall be discussed in a public meeting and formally adopted by the County Commission.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

## **OTHER MATTERS**

In planning and performing our audit of the financial statements of Bates County, Missouri (the County) as of and for the years ended December 31, 2011 and 2010, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated May 18, 2012. (A separate report dated May 18, 2012 contains our report on significant deficiencies in the County's internal control.) This document does not affect our report dated May 18, 2012.

### **6. Internal Control Deficiencies Regarding the Payroll Process**

Condition: Review of timesheets disclosed the following deficiencies in payroll processes and procedures:

- One instance in which an employee failed to note the date he signed his timesheet.
- One instance in which a timesheet dated June 2011 was stamped approved in October 2011, four months after the June timesheet date.
- One instance in which evidence of Commission approval of a timecard was prior to the date the employee signed the timesheet.

Recommendation: We recommend that the County Commission and County Clerk implement procedures to ensure that all wage and salary charges are supported by time records that are complete, accurate, signed, dated and approved.

County Response: While there were only three minor instances of internal control concerns, the County Commission and the County Clerk will attempt to ensure that all wage and salary charges are supported by the time records that are complete, accurate, signed, dated, and approved.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

### **7. Record Retention**

Condition: The County Clerk was unable to provide the IRS Form 941 for the fourth quarter of 2011.

Recommendation: We recommend that the County Clerk develop and implement procedures to ensure adequate record retention.

County Response: The County Clerk's office did file Form 941 with the IRS. A copy was provided to previous auditors and at this time has not been returned to the County Clerk's Office. The County retains all records required by the record retention manual provided by the State of Missouri.

Auditor's Evaluation: The County provided an acceptable response for the individual Condition as stated above. However, the county failed to state a proposed corrective action plan specific to the Recommendation as stated above.

## **8. Stale-Dated Outstanding Checks in Treasurer's Main Bank Account**

Condition: The bank reconciliations for the months ending December 31, 2010 and 2011 listed outstanding checks dating back to 2008. The reconciliation for December 31, 2010 and the reconciliation for December 31, 2011 listed one warrant check that had been listed outstanding on the October 31, 2008 bank reconciliation and three warrant checks that had been listed outstanding as far back as the June 30, 2009 bank reconciliation. The total amount of these respective warrant checks is immaterial in nature.

Recommendation: We recommend that the Treasurer/Collector identify checks that have been outstanding for a significant amount of time and resolve them by either contacting the payee or remitting the monies to the State Treasurer's Escheats Fund in a timely manner. This will facilitate the bank reconciliation process.

County's Response: Of the four checks referred to, two of which were for the amount of \$10.20, one for \$15.60 and one for \$16.40, were for people who had served jury duty. Those people had been contacted and stated that they refused payment, as their employers had paid their salary while they were on jury duty. These are not unclaimed fees but rather refused payments as to which state law is unclear. For lack of alternative, the monies have been returned to General Revenue. We believe that the amount of the checks is immaterial in nature as it is a minuscule amount and reflects an incidence specific in nature and not of a general accounting practice.

Auditor's Evaluation: The County provided an acceptable response for the individual Condition as stated above. However, the county failed to state a proposed corrective action plan specific to the Recommendation as stated above.

## **FEDERAL FINDINGS AND QUESTIONED COSTS**

### **2011-1: Failure to Reconcile Expenditures Reported on the Schedule of Expenditures of Federal Awards to the Expense Ledgers**

Condition: The County Clerk was unable to demonstrate or provide documentation that the expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) reconcile to and are supported by the County expense ledgers for the following grants and respective fiscal years:

- CFDA 90.401 – Help America Vote Act Requirements Payments (FY 2011 - \$3,633 and FY 2010 - \$7,496)



- CFDA 97.042 – Emergency Management Performance Grants (FY 2011 - \$26,769 and FY 2010 - \$34,764)
- CFDA 16.804 – ARRA – Edward Byrne Memorial Justice Assistance Grant (FY 2010 - \$11,989)

Failure to provide a reconciliation of the SEFA to the accounting records is a violation of Federal laws and regulations, specifically Office of Management and Budget Circular A-133, and can lead to sanctions, the requirement to return Federal funds, or a prohibition from receiving Federal funds in the future.

Recommendation: We recommend that the County Commission and County Clerk develop and implement procedures to ensure that federal expenditures can be identified, accounted for and supported by the accounting ledgers and records.

County Response: Per County Clerk Response: The County Clerk requested the information on Federal monies from each office holder involved. The County Clerk received the figures on the Justice Grant from the Sheriff and the EMA figures from Emergency Management Director and Government detail reports. Any additional information needed should be request from them. The County Clerk provided information on the HAVA grant.

Auditor's Evaluation: The stated corrective action is responsive to the concern.

## **2011-2: Document Retention**

Condition: The County was unable to provide the grant agreements, inclusive of the identifying numbers for the three U.S. Department of Justice grants (CFDA 16.738, 16.804, and 16.808) passed through the Missouri Department of Public Safety.

Recommendation: We recommend that the County Clerk develop and implement procedures to ensure adequate record retention.

County Response: Per County Clerk response, the Sheriff should have the grant agreements.

Auditor's Evaluation: The stated corrective action is not responsive to the concern.

BATES COUNTY, MISSOURI  
STATUS OF PRIOR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the status of the auditors' findings as set forth in the prior auditors' report issued for the two years ended December 31, 2009 and 2008.

1. Warrant checks were approved, cut, and executed to pay Sheriff's Department credit card balances even though the Sheriff's Department personnel phoned in electronic payments instead of mailing the warrant checks to the credit card company.

*Status – Resolved.*

2. During the audit, we evaluated sixteen items purchased using the Sheriff's Department credit cards. No supporting documentation was provided to support five of the sixteen expenditures.

*Status – Resolved.*

3. We noted three issues with the County's budgeting process during our audit:

- a. The County Commission did not adopt a formal budget as required by law for the Deputy Wage Supplement fund for 2008.
- b. The County Commission did not exercise adequate budgetary control over a number of funds during the audit period.
- c. The Law Enforcement Sales Tax Fund started 2008 with a deficit cash balance and had a larger negative ending budgeted cash balance in the 2008 budget. The Sheriff's Civil Fund also had a negative ending budgeted cash balance in the 2009 budget. For example, had the County spent up to the approved budget amounts and collected only the budgeted revenues, it would have incurred a cash deficit in the Law Enforcement Sales Tax Fund of \$138,152. State statutes prohibit the County from adopting a budget that would create a negative ending cash balance for any fund. Circumstances arose during the year that caused actual revenues to be higher than expected for each of these funds, and thus cash deficits did not occur.

*Status – Not resolved. See finding No. 5.*

4. The Collector filed annual settlements later than the due date of the first Monday in March in 2008 and 2009. The settlement for 2008 was certified on May 4, 2009 and the settlement for 2009 was certified on March 31, 2010.

*Status – Resolved.*

5. The County has not adopted an investment policy.

*Status – Resolved.*



Thomas A. Schweich  
Missouri State Auditor

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# Manchester Highlands Transportation Development District



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August 2012

Report No. 2012-86

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Manchester Highlands Transportation Development District

### Comments

The Manchester Highlands Transportation Development District (TDD) was organized in October 2007 and is located in the City of Manchester. The TDD was formed for the purpose of constructing parking areas, public access areas, and Highlands Boulevard Drive, and the city accepted dedication of the project upon its completion in August 2009. Taxable transactions within the TDD are subject to a 1 percent sales tax. For the areas audited, we identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures.

In the areas audited, the overall performance of this entity was **Excellent**.\*

### American Recovery and Reinvestment Act (Federal Stimulus)

The Manchester Highlands Transportation Development District did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Manchester Highlands Transportation Development District Table of Contents

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Denise Chomicki, Chairperson  
and  
Board of Directors  
Manchester Highlands Transportation Development District  
Manchester, Missouri

We have audited certain operations of the Manchester Highlands Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Manchester Highlands Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Katie Twiehaus

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# Manchester Highlands Transportation Development District Organization and Statistical Information

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The Manchester Highlands Transportation Development District (TDD) is located in the City of Manchester. The TDD was organized in October 2007 by petition of the property owners within the proposed TDD. The Board of Directors and officers include property owners and representatives of property owners.

The qualified voters of the TDD, in this case the property owners, approved the imposition of a sales tax of up to 1-cent (1 percent) on all transactions which are taxable within the boundaries of the district. The Board of Directors subsequently passed a resolution which set the sales tax rate at 1-cent (1 percent) for 40 years.

The TDD was formed for the purpose of constructing parking areas, public access areas, and Highlands Boulevard Drive with an initial estimated cost of \$12.8 million. The City of Manchester is the public entity with jurisdiction over the projects. Actual project costs totaled approximately \$13 million at completion in August 2009 and the city accepted dedication of the projects upon completion.

The TDD is located within a Tax Increment Financing (TIF) area. The City of Manchester issued Sales Tax Revenue Notes of \$13 million in 2008 to finance the TDD projects. The City of Manchester issued Tax Increment and Transportation Refunding Revenue Bonds of \$5.5 million in 2010 to refinance a portion of the outstanding obligations of the TDD.

The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

## District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were:

Denise Chomicki, Chairperson and Executive Director  
Rick Matejka, Secretary  
Joe Beaudean, Treasurer  
Mark Sedgwick, Member  
George F. Meyer III, Member

## American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Manchester Highlands Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.





Manchester Highlands Transportation Development District  
Organization and Statistical Information

Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, 2011, follows:

	Year Ended December 31,	
	2011	2010
Receipts:		
Sales taxes	\$ 2,842,779	2,482,558
Bond issuance	0	5,456,904
Total Receipts	<u>2,842,779</u>	<u>7,939,462</u>
Disbursements:		
Debt payments	1,383,985	6,682,381
Administrative	16,116	7,107
Tax increment financing	1,421,389	1,241,279
Total Disbursements	<u>2,821,490</u>	<u>7,930,767</u>
Receipts Over (Under) Disbursements	21,289	8,695
Beginning Cash Balance	<u>55,899</u>	<u>47,204</u>
Ending Cash Balance	<u>\$ 77,188</u>	<u>55,899</u>



Thomas A. Schweich  
Missouri State Auditor

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# Ballwin Town Center Transportation Development District



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August 2012

Report No. 2012-85

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Ballwin Town Center Transportation Development District

### Comments

The Ballwin Town Center Transportation Development District (TDD) was organized in April 2001 and is located in the City of Ballwin. The TDD was formed for the purpose of constructing a connector road for Seven Trails Drive and Kehrs Mill, and the city accepted dedication of the project upon its completion in April 2003. Taxable transactions within the TDD are subject to a 1/4-cent sales tax, and the TDD pays the TDD-related debt services costs of the city's Tax Increment Financing bonds. For the areas audited, we identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures.

In the areas audited, the overall performance of this entity was **Excellent**.\*

### American Recovery and Reinvestment Act (Federal Stimulus)

Ballwin Town Center Transportation Development District did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Mike Boone, Chairman  
and  
Board of Directors  
Ballwin Town Center Transportation Development District  
Ballwin, Missouri

We have audited certain operations of the Ballwin Town Center Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The district engaged Diel & Forguson, L.L.C. Certified Public Accountants (CPA), to audit the district's financial statements for the years ended December 31, 2011 and 2010. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended December 31, 2010. We reviewed only the substantiating working papers of the CPA firm for the year ended December 31, 2011, since the CPA firm's audit report was not complete at the time of our audit. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Ballwin Town Center Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in between.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Katie Twiehaus

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# Ballwin Town Center Transportation Development District Organization and Statistical Information

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The Ballwin Town Center Transportation Development District (TDD) is located in the City of Ballwin. The TDD was organized in April 2001 by petition of the property owners within the proposed TDD. The Board of Directors and officers include property owners and representatives of property owners.

The qualified voters of the TDD, in this case the property owners, approved the imposition of a sales tax, authorized under Section 238.235, RSMo, of 1/4-cent (0.25 percent) on all transactions which are taxable within the boundaries of the district. The Board of Directors subsequently passed a resolution that set the sales tax rate at 1/4-cent (0.25 percent) for 21 years. The TDD has a fiscal year end of December 31.

The TDD was formed for the purpose of constructing a connector road for Seven Trails Drive and Kehrs Mill, with an initial estimated cost of \$1.3 million. The City of Ballwin is the public entity with jurisdiction over the project. Actual project costs totaled approximately \$1.3 million at completion in April 2003 and the city accepted dedication of the project upon completion.

The TDD is located within a Tax Increment Financing (TIF) area. The City of Ballwin issued TIF revenue bonds of \$20.1 million in 2002 to finance the TDD projects and other TIF projects. Prior to the issuance of the TIF bonds, the developer financed the cost of the TDD projects. When the TIF revenue bonds were issued, the developer was reimbursed for the costs incurred. Pursuant to a formal agreement with the city, the TDD agreed to pay the debt service costs on the portion of the TIF revenue bonds that was used for the transportation projects, with the TDD revenue limit set at 6.661 percent of the TIF debt service costs.

## District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were:

Mike Boone, Chairman  
Chaunessy Wright, Secretary  
Sue Wright, Treasurer  
Dave Wright, Member  
Pamela Hopper, Member

## American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Ballwin Town Center Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



Thomas A. Schweich  
Missouri State Auditor

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# Seventeenth Judicial Circuit

## City of Lake Winnebago Municipal Division



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August 2012

Report No. 2012-84

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<http://auditor.mo.gov>





# CITIZENS SUMMARY

## Findings in the audit of the Seventeenth Judicial Circuit, City of Lake Winnebago Municipal Division

Case and Ticket Disposition	The city Prosecuting Attorney does not usually sign traffic tickets and allows the Court Clerk to stamp his signature on traffic tickets, and tickets paid through the violation bureau in advance of court are not reviewed by the Prosecuting Attorney. The Court Clerk also uses a defective equipment stamp to amend citations, although it appears the Prosecuting Attorney approves amended citations. Without documentation that the Prosecuting Attorney reviews all tickets, there is less assurance the proper cases and charges are filed with the municipal division.
Ticket Accountability	Neither the municipal division nor the Police Department accounts for the numerical sequence of tickets issued. Without proper accounting for the numerical sequence and ultimate disposition of tickets issued, there is less assurance all tickets issued are properly submitted for processing.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Seventeenth Judicial Circuit, City of Lake Winnebago Municipal Division did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Seventeenth Judicial Circuit

## City of Lake Winnebago Municipal Division

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Presiding Judge  
Seventeenth Judicial Circuit  
and  
Municipal Judge  
City of Lake Winnebago, Missouri

We have audited certain operations of the City of Lake Winnebago Municipal Division of the Seventeenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Lake Winnebago Municipal Division of the Seventeenth Judicial Circuit.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Julie A. Moulden, MBA, CPA

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# Seventeenth Judicial Circuit

## City of Lake Winnebago Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Case and Ticket Disposition**

The city Prosecuting Attorney does not usually sign traffic tickets submitted to the municipal division, but rather allows the Court Clerk to maintain his signature stamp and stamp his signature on the traffic tickets. Tickets paid through the violation bureau in advance of court are not reviewed by the Prosecuting Attorney. The Court Clerk also maintains and uses a defective equipment stamp to amend citations. Municipal division personnel indicated the Prosecutor approves all amended citations and all amended tickets reviewed during our test work were approved.

Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the court. Without the Prosecuting Attorney's signature or initials to indicate he has reviewed the ticket, there is less assurance the proper cases and charges are filed with the municipal division. Since the prosecutor is the only person with the authority to amend charges, the defective equipment stamp should be under his control and for his use only.

#### **Recommendation**

The City of Lake Winnebago Municipal Division ensure the Prosecuting Attorney signs all traffic tickets.

#### **Auditee's Response**

*The Municipal Judge provided the following written response:*

*We will immediately implement the auditor's recommendation and ensure the Prosecuting Attorney's original signature is on each summons/citation.*

---

#### **2. Ticket Accountability**

The municipal division and Police Department do not account for the numerical sequence of tickets issued. The Police Department tracks the ticket numbers assigned to each officer, but does not keep records of tickets issued. As tickets are issued by the Police Department, they are given to the municipal division for processing.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the Police Department cannot be assured all tickets issued are properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to decrease the risk of loss, misuse, or theft of funds.

#### **Recommendation**

The City of Lake Winnebago Municipal Division work with the Police Department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

#### **Auditee's Response**

*The Municipal Judge provided the following written response:*

*We will immediately implement the auditor's recommendation and work with the police department to ensure accountability of all citations.*

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# Seventeenth Judicial Circuit

## City of Lake Winnebago Municipal Division

### Organization and Statistical Information

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The City of Lake Winnebago Municipal Division is in the Seventeenth Judicial Circuit, which consists of Cass and Johnson Counties. The Honorable Jacqueline Cook serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At December 31, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Thomas Ryan
Court Administrator	Angela Sorrell

#### Financial and Caseload Information

	Year Ended December 31, 2011
Receipts	\$240,982
Number of cases filed	2,403

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Lake Winnebago Municipal Division did not receive any federal stimulus monies during the year ended December 31, 2011.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## The School District of Springfield, R-XII

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August 2012

Report No. 2012-83



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<http://auditor.mo.gov>

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# The School District of Springfield, R-XII

## Follow-Up Report on Audit Findings

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\*Includes selected findings





## THOMAS A. SCHWEICH

### Missouri State Auditor

To the Board of Education  
The School District of Springfield, R-XII

We have conducted follow-up work on certain audit report findings contained in Report No. 2012-16, *The School District of Springfield, R-XII*, issued in March 2012, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the district, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed reports summarizing the status of our recommendations and supporting documentation submitted by district officials. We also held a meeting with district officials to seek clarification and review additional documentation. Documentation provided by district officials included copies of budgets, financial reports, meeting minutes, contracts, new policies and procedures, and various accounting records. This report is a summary of the results of this follow-up work, which was substantially completed during July 2012.

Thomas A. Schweich  
State Auditor

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# The School District of Springfield, R-XII

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Health Benefit Trust Fund Financial Condition

The Health Benefit Trust (HBT) Fund was in poor financial condition because the district did not adequately fund and monitor the operating costs of its self-funded health plans or programs. Total estimated liabilities of the HBT Fund exceeded total assets by approximately \$3.3 million as of June 30, 2011, and our projections indicated a subsidy of the HBT Fund with other district funds may be required as early as September 2013. In addition, total assets and the amount necessary to cover the estimated liabilities for unpaid claims (the reserve balance) had significantly deteriorated from fiscal year 2009 to 2011.

HBT Fund financial statements were reviewed and approved by the School Board each month; however, these reports were not always accurate. The amount reported on the financial statements as an estimated liability for unpaid claims had not been periodically updated to reflect current conditions and the same amount had been presented on the statements since July 2008. The district also had not established a minimum reserve balance (the amount of assets necessary to cover the estimated liability of unpaid claims) for the HBT Fund or procedures to monitor this balance and address any deficiencies. In addition, written comprehensive long-range plans for the HBT Fund had not been prepared.

#### Recommendation

The School Board closely monitor the financial condition and take the necessary steps to improve the financial condition of the HBT Fund.

#### Status

##### **In Progress**

Effective January 2012 all premium tiers (district and employee paid tiers) were increased resulting in an estimated \$3 million increase in annual revenues to the HBT Fund. Despite the premium tier changes, the HBT Fund asset balance has continued to decrease from \$4,089,567 at June 2011 to \$834,553 at May 2012. In addition, the reserve balance, after estimated liabilities for unpaid claims, has declined from a deficit of approximately \$4.5 million at June 2011 to a deficit of approximately \$8.4 million at May 2012.

As a result of the continued decline of the HBT Fund financial condition, the district budgeted additional district premiums of \$2 million to be paid to the HBT Fund during the 2012-2013 fiscal year. The estimated liability for unpaid claims is updated on a monthly basis.

The district has developed an 18 month projection for the HBT Fund and indicated it will maintain the projection in the future. The latest projection, indicates the HBT Fund will have an asset balance of \$643,862 in December 2013. The projection also indicates the asset balance of the HBT Fund will be at its lowest in September 2012 with a negative \$467,413 balance, which according to district officials will require temporary funding of the HBT



The School District of Springfield, R-XII  
Follow-up Report on Prior Audit Findings  
Status of Findings

Fund with district operating funds. The district was unable to provide projected reserve balances at September 2012 or December 2013.

The district indicated the current condition of the HBT Fund will be presented as an information item to the Board on a quarterly basis, and district officials will develop and have the Board approve a policy identifying a minimum reserve amount for the HBT Fund.

## 2.1 Cash Receipts Segregation of Duties

The duties of receiving, recording, and depositing monies by several different district offices and schools were not adequately segregated, and a documented supervisory review of the accounting records was not performed.

### Recommendation

The School Board segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.

### Status

#### **In Progress**

The district has developed new procedures for cash handling at athletic events, concessions, and fund raisers that address training, segregation of duties, chain of custody, and a close out process.

The district indicated it will consider cost beneficial measures that could be applied to address segregation of responsibilities at the schools. The district also indicated it is in the process of changing procedures for the receipt of cash and checks in the financial office. All monies received by the finance office will be delivered to the Finance Administrative Assistant, who will log all checks and cash prior to remitting to the Accounts Receivable Clerk. The district is in the process of hiring an Internal Auditor, and intends to make these logs available to the Internal Auditor for reconciliation purposes.

## 2.2 Security of Monies

Monies collected were not always maintained in a secure location. Additionally, according to district policy, student activity monies should never be kept in a teacher's classroom; however, we noted numerous instances where student activity monies were stored in unlocked desks and file cabinets in classrooms. In addition, checks and money orders received were not always restrictively endorsed immediately upon receipt.

### Recommendation

The School Board maintain monies collected in a secure location, and restrictively endorse checks and money orders immediately upon receipt.

### Status

#### **In Progress**

The district indicated safes will be made available at the high schools. The district will communicate and clarify existing cash-handling policies and procedures with staff, respond to any future infractions through appropriate



The School District of Springfield, R-XII  
Follow-up Report on Prior Audit Findings  
Status of Findings

disciplinary action, and communicate and clarify that all checks and money orders must be endorsed within 24 hours of receipt. The district is in the process of hiring an Internal Auditor to spot check compliance with existing policies.

### 2.3 Receipting and Ticket Procedures

Several offices or schools did not have adequate procedures in place to properly record and account for all payments received.

#### Recommendation

The School Board ensure adequate controls and procedures are in place in all district departments/schools to properly account for all monies received.

#### Status

##### **In Progress**

The district has updated event ticketing procedures which will be communicated with the appropriate staff with the start of the 2012-2013 school year. The district indicated it will communicate and clarify existing depositing and transmitting policies and procedures with staff and respond to any future infractions through appropriate disciplinary action. The district is in the process of hiring an Internal Auditor to spot check compliance with existing policies.

### 2.4 Depositing and Transmitting Procedures

Numerous instances were noted where receipts were not transmitted or deposited timely and intact. Receipts on hand were sometimes used to purchase supplies or reimburse for supplies purchased with a personal debit card; borrowed by employees; and used by employees to cash personal checks. Cash refunds were made from district receipts without adequate documentation. Some district receipts were handled by several employees before deposit, and there was not always adequate documentation to support the transmittal of monies from one employee to another.

#### Recommendation

The School Board deposit all monies intact and in a timely manner, issue checks for purchases and reimbursements, discontinue the practice of cashing personal checks, periodically reconcile amounts collected for concessions to changes in concession inventory, limit and document transmittals of monies between employees, and ensure all district policies are followed.

#### Status

##### **In Progress**

The district has developed new procedures for cash handling at athletic events, concessions, and fund raisers that address timely deposits. A chain of custody form has been developed.

The district indicated it will communicate and clarify new and existing depositing and transmitting policies and procedures with staff, respond to any future infractions through appropriate disciplinary action, and implement new procedures at the start of the 2012-13 school year. The



The School District of Springfield, R-XII  
Follow-up Report on Prior Audit Findings  
Status of Findings

district is in the process of hiring an Internal Auditor to spot check compliance with existing policies.

## 2.5 Student Activity Funds

Accounting controls and procedures over district student activity funds needed improvement. The district had a written policy for student activity funds, but the policy did not address the types of records which should be maintained and the accounting procedures to be followed by the sponsor of each student activity and fundraiser. Very little or no documentation was retained to support amounts collected by teachers/sponsors for some student activities, and transmittal forms prepared by the teachers/sponsors for the school financial secretary were not always retained.

### Recommendation

The School Board amend the student activity policy to address the types of records to be maintained and procedures to be followed by the sponsor/teacher of each student activity.

### Status

#### **Implemented**

The district has updated the student activity practices and procedures to address this matter.

The district indicated it will communicate and clarify new and existing depositing and transmitting policies and procedures with staff and respond to any future infractions through appropriate disciplinary action. The district is in the process of hiring an Internal Auditor to spot check compliance with existing policies.

## 2.8 Change Funds

The district did not have a list of approved change funds and the authorized balances or a written policy regarding these change funds. Some change funds were not maintained at a constant amount, and some schools regularly held monies out of district receipts to make change. In addition, adequate documentation of change funds given to/returned by district personnel for sporting events or student activities was not maintained.

### Recommendation

The School Board establish written procedures governing the accounting for change funds. Also, the School Board should maintain a list of each change fund and the authorized balance of each fund. In addition, the School Board should ensure the change funds are periodically counted and reconciled to the authorized balance by an independent person.

### Status

#### **In Progress**

The district has prepared a list of authorized change funds, revolving funds and petty cash funds. The district indicated the finance office will remind site secretaries and administrators that any other petty cash/change funds are not authorized. The need for additional petty cash/change funds not



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currently authorized will be considered by the finance office and a decision made to either add the fund to the authorized list or discontinue its use. The district plans to have the internal audit position perform periodic reconciliations of the authorized list and petty cash/change funds. The district has developed new procedures for cash handling at athletic events, concessions and fund raisers that address the use, custody and reconciliation of change funds.

The district indicated use of change funds not on the authorized list will be discontinued with the start of the 2012-2013 school year, further use of unauthorized change funds will result in appropriate disciplinary action, and new and existing change fund procedures will be communicated and clarified with staff.

2.10 Centralized Collection  
Points

The district had numerous cash collection points throughout various administrative offices and schools.

Recommendation

The School Board ensure adequate controls and records are in place in all district offices and schools to properly account for all monies received, and consider establishing centralized collections points.

Status

**Partially Implemented**

The district has developed new procedures for cash handling which address timely processing of cash (endorsements and deposits), as well as chain of custody. The district does not plan on establishing centralized collection points.

3.1 Financing

The district sold general obligation bonds and lease participation certificates through a negotiated sale instead of a competitive sale, and the district's bond underwriter also acted as the district's financial advisor.

Recommendation

The School Board pursue open competition in any future bond or certificate sales, and discontinue using an underwriter who also acts in a dual capacity as financial advisor.

Status

**In Progress**

No bond or certificate sales have occurred since the audit report was released; however, the district indicated for future bond or certificate sales its Cash and Investments Manager and Finance Director will serve as the financial advisors and will also determine whether a negotiated sale or competitive sale is preferred.

3.4 Prevailing Wage

The district had not established procedures to adequately monitor contractors to ensure prevailing wages are paid. Payroll information was not



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always received by the district or was not always adequately detailed to ensure prevailing wages were paid in accordance with state law. Additionally, we noted an instance in which prevailing wage was not paid.

**Recommendation**

The School Board establish policies and procedures to ensure prevailing wage rates are paid on all required projects including adequate supporting documentation to substantiate rates paid.

**Status**

**In Progress**

The district indicated procedures have been developed to randomly spot check pay applications to determine that prevailing wages have been properly paid. Documentation of the testing will be maintained by the district.

**4.1 Sale of Old Hickory  
Hills School Property**

The district entered into multiple agreements to sell district property to a buyer who failed to make the required payments and meet other contractual obligations. Despite the buyer's failure to make required payments and meet other contractual obligations, the district entered into a revised real estate agreement and two amendments to that agreement to extend the buyer's obligations to later dates. The latest real estate agreement provided for the district to finance a portion of the purchase price. In addition, the district failed to have the property reappraised to both ensure and document it received a reasonable price.

**Recommendation**

The School Board reevaluate current arrangements and options, ensure compliance with agreements, and consider not entering into such agreements in the future where the buyer does not have financing in place.

**Status**

**Partially Implemented**

The district indicated there was no other buyer available, and in April 2012, the district entered into another amendment agreement with the buyer, extending all contract requirements an additional 5 months. The agreement requires the buyer to make monthly non-refundable payments of \$12,500 and does not allow these payments to be applied to the cash payment now due in September 2012.

**5.1 Professional Services**

The district did not solicit requests for proposals for several professional services including legal services, HBT Fund consulting services, and transportation consulting services to ensure it received quality services at a fair price.

**Recommendation**

The School Board solicit proposals for professional services, enter into written agreements for professional services, renew contracts to extend the terms, and ensure compliance with contract terms.



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Status

**Partially Implemented**

The district indicated these are professional services and there are no requirements to bid these services. However, the district obtained a written agreement with its attorney for legal services, and indicated the agreement will be renewed on an annual basis. The HBT Fund consulting contract will be renewed no later than September 1, 2012, and the contract terms will be modified to include the duties currently performed by the consultant. The district indicated the transportation consulting services are no longer used; however, should the need arise in the future, the district plans to develop a request for proposal and bid out the service.

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8.1 Employment Contracts  
and Stipends

The district did not have formal written employment contracts with staff reporting directly to the Superintendent, and it was unclear why the Chief Financial Officer and Human Resources Department Director received stipends for additional responsibilities already included in their job descriptions. In addition, the district had not established adequate policies and procedures regarding stipends, and adequate documentation of the stipend amounts paid for additional responsibilities was not always retained. A letter of appointment was typically executed between the district and the employee for the stipend; however, it did not always clearly indicate the amount to be paid.

Recommendation

The School Board enter into formal written employment contracts with employees, when applicable. The School Board should also establish adequate policies and procedures to address stipends. The policy should require extra duty contracts be prepared, which specify the stipend amount and duties to be performed.

Status

**In Progress**

All staff reporting directly to the Superintendent now have written employment contracts effective with the 2012-2013 school year, and stipends with these staff members have been discontinued.

The district indicated it is changing the process related to the issuance of letters of appointment. These letters will now be issued by human resources department staff in the central office, rather than site based clerical staff. The letters will outline specific dollar amounts of the stipends.

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9.2 Payroll Segregation of  
Duties

Payroll duties of the payroll clerk for the transportation department and a benefits representative in the Human Resources Department were not adequately segregated.

Recommendation

The School Board segregate payroll duties to the extent possible and implement appropriate reviews and monitoring procedures.





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**Status**

**In Progress**

The district is working to develop a report that will identify any payroll changes (hours, rates, leave, etc.). This report will be reviewed by a transportation supervisor and the payroll department. The district indicated all swipe cards are now made at a central location. The transportation information technology position now adjusts and sets the bus routes. Individual departments now enter their own absences. The human resources department administrative assistant enters the human resources department employee absences. The benefits representative compares the entered absences to documentation of the absences. A human resources department supervisor reviews any absence changes.

**9.3 Substitute Services**

The district had not established adequate procedures to reconcile amounts paid to services provided by the substitute services vendor. In addition, a comparison was not completed between the vendor-provided report of absences and employee leave records maintained by the district to ensure leave was properly charged.

**Recommendation**

The School Board establish adequate reconciliation procedures to verify the propriety of substitute services vendor billings and ensure the accuracy of employee leave records.

**Status**

**In Progress**

The district indicated it will review reports of substitutes that are system approved, rather than approved by the school/department. When a school/department consistently fails to approve substitutes, the Human Resources Department will contact the school/department to ensure compliance. The district will select random line items on the substitute services invoice for audit to ensure accuracy between absences filled and substitutes billed. The district will select random line items on the vendor provided report of absences for comparison to employee leave records.

**9.4 Related Employees**

A list of related employees was not maintained and monitored by the HR department, and the district had not established adequate policies and procedures related to the hiring, supervising, or tracking of related employees.

**Recommendation**

The School Board establish policies and procedures to identify and monitor related employees.



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**Status**

**In Progress**

The district indicated it plans to research policies of other districts/entities regarding related employees and should have a policy in place during the 2012-2013 school year.

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**12.1 Closed Meetings**

Notices of the date, time, and agenda of some closed meetings were not published or publicly posted, and the district did not always hold open meetings prior to closed meetings. The School Board approved a list of reasons for closing the meeting in the open meeting, but only discussed some of these topics in the closed meeting. In addition, meeting minutes were not always sufficient to demonstrate how some issues discussed in closed meetings were allowable. The results of roll call votes for decisions made in closed meetings were not always documented in meeting minutes.

**Recommendation**

The School Board ensure advance notice of meetings is given and open meetings are held to properly enter into closed meetings. The School Board should also cite specific reasons for going into closed meetings only for topics it plans to discuss, and ensure only allowable topics are discussed in closed meetings and roll call votes are taken and documented.

**Status**

**Implemented**

The district is now complying with the posting of notices for closed meetings. Also, open meetings are held prior to the closed meetings, and the district cites only those topics it intends to discuss in the closed meeting. More detailed minutes are maintained and all roll call votes are documented.

**12.2 School Board Retreats**

District business was sometimes conducted outside of regular open meetings at school board retreats, and minutes for some of these meetings were not prepared.

**Recommendation**

The School Board ensure district business is conducted in compliance with the Sunshine Law, and meeting minutes are maintained.

**Status**

**Implemented**

The district now prepares minutes for all meetings, open and closed.

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**13. School Safety**

Required volunteer registration forms and background checks were not always completed/performed for volunteers. In addition, the district did not have policies and procedures to determine when to require background checks for vendors or contractors whose employees may have contact with students.



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**Recommendation**

The School Board ensure compliance with policies and procedures regarding volunteer registration and background checks, and also consider requiring vendors and contractors to provide background checks for their employees who have contact with students.

**Status**

**In Progress**

The district indicated it will communicate and clarify existing policies and procedures with staff, respond to any future infractions through appropriate disciplinary action, and develop a policy that addresses background checks for vendors and contractors. The policy will define vendors and contractors and include a requirement that vendors and contractors be contractually obligated to perform background checks on all employees who might have contact with students. The district is in the process of hiring an Internal Auditor to spot check compliance with existing policies.

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**14. Internal Audit  
Function**

The district did not have an internal audit function, many recommendations made by the former internal auditor had not been followed up or resolved, and the former internal auditor did not report directly to the School Board.

**Recommendation**

The School Board consider appointing an internal auditor to conduct audits of district operations and activities. An internal auditor should report directly to the School Board.

**Status**

**In Progress**

The Internal Auditor position has been posted and first interviews conducted. The district indicated it will hire an Internal Auditor and have the auditor present findings directly to the Board.



**Thomas A. Schweich**  
Missouri State Auditor

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# KANSAS CITY BOARD OF POLICE COMMISSIONERS



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August 2012

Report No. 2012-82

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of the Kansas City Board of Police Commissioners (KCBPC)

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Vehicle Assignments	<p>Two hundred ninety-six (296) vehicles owned by the KCBPC were assigned to personnel on standby or call back status. Personnel are allowed to use these vehicles for personal use, and it appears non-employees are riding in these take-home police vehicles. Commuting and personal use of department vehicles results in additional fuel and maintenance costs for the KCBPC. The KCBPC has not compiled data on the frequency with which standby or call back personnel respond to after-hour emergencies. Neither does the KCBPC monitor the number of commuting and personal miles incurred by non-civilian employees. Such data could help the KCBPC determine whether the costs of this practice outweigh the benefits.</p>
Sunshine Law	<p>The KCBPC did not always follow the requirements of the Sunshine Law regarding closed meetings. The resolution to go into closed session did not cite all topics discussed in closed session, and some topics discussed in closed session may not have met the exceptions allowed by the Sunshine Law. Also, the KCBPC does not always make public the final disposition of some legal matters discussed in closed meetings, such as lawsuit settlements, as required by state law.</p>
Expenditures	<p>The KCBPC college incentive program does not limit the amount of tuition that may be reimbursed to each employee and does not require the courses be job related to qualify for reimbursement. Likewise, degree-holding KCBPC personnel receive incentive pay each month even if the degree held is not job related. The KCBPC paid tuition reimbursements totaling \$500,334 and \$282,275 in fiscal years 2011 and 2010, respectively, and college incentive pay totaling \$727,310 and \$717,802 in fiscal years 2011 and 2010, respectively.</p> <p>Auditors noted disbursements totaling approximately \$123,000 during the 2 years ended April 30, 2011, which did not appear to be necessary or prudent uses of public funds. These expenditures included \$58,918 for retirement rings and awards, \$43,450 for annual unit dinners, \$9,285 for Chief's office t-shirts and mugs, \$7,423 for food for Board meetings, and \$3,474 for cakes/cookies for meetings/ceremonies. A similar condition was noted in our two prior audit reports.</p>
Service Charges	<p>The KCBPC charges less than the calculated fee, as determined by a cost study, for report reproduction and criminal record checks, resulting in potential lost revenue to the department totaling approximately \$245,200 during 2011 and 2010. Additionally, estimates of labor costs are used in determining these fees without a documented time study or other support for the estimates.</p>

Capital Assets	The KCBPC's policy for identifying and documenting capital asset dispositions is not adhered to consistently. Auditors noted that some of the assets not located were believed to have been discarded and no further investigation to locate the assets was performed. Fourteen assets, including five computers, were not located where assigned, and no corresponding inventory action forms could be located.
Property and Evidence	The Property and Evidence Section is holding old evidence stored in its property room which may have no evidentiary value. This evidence is related to hundreds of cases which are missing disposition information in the Kansas City's municipal court justice information system.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	<p>The Kansas City Board of Police Commissioners received the following Federal Stimulus funds:</p> <p>An \$8,366,750 Community Oriented Policing Services-Hiring Recovery Program grant, of which \$3,533,382 was received and \$3,819,510 was expended during the audited period to hire 42 officers and to retain entrant officers from the academy. The grant requires these positions to be maintained for at least a year after the end of the grant period.</p> <p>A \$121,440 Recovery Services Training Officers Prosecutors (STOP) Violence Against Women Formula Grant Program grant, of which \$106,387 was received and \$118,830 was expended during the audited period to provide two contract positions at the crime lab.</p> <p>A \$59,232 Recovery Act: Edward Byrne Memorial Justice Assistance Grant, of which \$31,916 was received and \$40,254 was expended during the audited period to pay for travel expenses, vehicle leases, and cell phone services.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Kansas City Board of Police Commissioners

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Board of Police Commissioners of the  
Kansas City Police Department  
Kansas City, Missouri

The State Auditor is authorized under Section 84.350, RSMo, to audit the Kansas City Board of Police Commissioners. We have audited certain operations of the Board in fulfillment of our duties. The Board engaged Cochran Head Vick and Company, P.C., Certified Public Accountants (CPA), to audit the Board's financial statements for the years ended April 30, 2011 and 2010. To minimize duplication of effort, we reviewed the CPA firm's audit reports. The scope of our audit included, but was not necessarily limited to, the years ended April 30, 2011 and 2010. The objectives of our audit were to:

1. Evaluate the Board's internal controls over significant management and financial functions.
2. Evaluate the Board's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Board, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Board's management and was not subjected to the procedures applied in our audit of the Board.



For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Kansas City Board of Police Commissioners.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Julie A. Moulden, MBA, CPA
Audit Staff:	Ben Douglas
	Nathaniel Fast, M.Acct., CPA
	Richard Mosha, MBA

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# Kansas City Board of Police Commissioners

## Management Advisory Report

### State Auditor's Findings

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#### **1. Vehicle Assignments**

The Kansas City Board of Police Commissioners (KCBPC) allows commuting and other personal use of some KCBPC take-home vehicles, but does not monitor the use of these vehicles to determine if reductions in the number of vehicles in the program are warranted. As of June 2011, the KCBPC had 345 take-home vehicles, and of those, 296 were assigned to personnel classified as on standby or call back status.

Officers with a rank of captain and above and civilian directors are considered on standby 24 hours a day, assigned an unmarked vehicle, and authorized to drive the vehicle for personal use. Others below the rank of captain on call back status are assigned a marked or unmarked vehicle, and are authorized to drive the vehicle for personal use during the actual call back period. The remaining 49 vehicles are assigned to personnel based on high visibility demands, for security reasons, or due to lack of available parking spaces and personal use, other than commuting, is not authorized for these vehicles. The only restriction on personal use for standby or call back status personnel is they must keep the vehicle within 50 miles of city limits to be immediately available to respond to an emergency. Procedural Instruction 09-11 does not address whether non-employees are authorized to ride in take-home police vehicles used for personal purposes, but it appears such use is occurring. While the number of take-home vehicles has decreased in total, from 377 in 2003, the number of vehicles assigned on standby or call back has increased, from 248 in 2003.

The KCBPC has not compiled data on the frequency that employees on standby or call back status respond to after-hours emergencies. In addition, the KCBPC does not monitor the number of commuting and personal miles incurred by sworn employees on standby or call back status, but only tracks total mileage for each vehicle. While the KCBPC indicates these records are not kept because they are not required by IRS regulations, knowing the frequency of use compared to the personal and commuting mileage would help the department determine whether the benefits outweigh the costs. The number of commuting and personal miles for these 296 vehicles is not known, but is likely substantial. Considering the average age and mileage of fleet vehicles is high, the KCBPC and Police Chief should give consideration to modifying this program. Commuting and personal use of department vehicles results in additional fuel and maintenance costs for the KCBPC as well.

To reduce fleet usage and ensure department vehicles are used efficiently, the KCBPC should determine the frequency with which each applicable employee responds to after-hours emergencies while in standby or call back status and evaluate the need to assign take-home vehicles to these employees. In addition, the KCBPC should consider further limiting the personal use of KCBPC vehicles for other than commuting purposes.



Kansas City Board of Police Commissioners  
Management Advisory Report - State Auditor's Findings

## Recommendation

The Kansas City Board of Police Commissioners reexamine policies and criteria for authorization of take-home vehicles. In addition, the Board should consider reducing the number of take-home vehicles and consider further limiting personal use of KCBPC vehicles.

## Auditee's Response

*The Board of Police Commissioners and Chief of Police provided the following written response:*

*The Department agrees that a monetary savings could be achieved through reducing the number of take-home cars if that was the only criteria in which to analyze their effectiveness. The Department's use of take home vehicles is regulated by Department policy and the number of take home vehicles is controlled specifically by the Chief of Police. Monitoring of the fleet and its expenses is accomplished by a fleet management system operated by the Fleet Operations Unit.*

*The use of take home cars takes into account the need for Department members to respond rapidly to critical incidents. Some commanders and members maintain specialized equipment in their assigned vehicles. It is critical for the member and their equipment to respond to an event rapidly even though the call back may be infrequent. The Department does not have the luxury of planning for a critical event never to happen. If an incident occurs, the Department must be prepared to handle the event no matter how infrequent in nature. Public safety is of the utmost importance to the Department and should not be solely controlled by fiscal restrictions.*

*Take home vehicles also provide a measure of police presence in the neighborhoods in addition to commuting to and from work at different hours of the day. Those members in take home vehicles assist with vehicular emergencies, stranded motorists, and calls for service, thereby developing positive interaction with the community.*

*The Department is currently in the process of revising the policy on take home vehicles. The proposed policy adds clarity to standby and callout responsibilities as they pertain to take home vehicles.*

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## 2. Sunshine Law

Various requirements of the Sunshine Law regarding closed meetings were not always followed.

### 2.1 Closed Minutes

Numerous closed sessions were held by the KCBPC, but several requirements in Chapter 610, RSMo (the Sunshine Law), regarding closed meetings were not always followed.

- A generic resolution is approved by the KCBPC in open session each time a motion to go into closed session is made. The resolution includes a statement that the KCBPC resolves to go into closed



## Kansas City Board of Police Commissioners Management Advisory Report - State Auditor's Findings

session "for the purpose of discussing litigation, legal issues, and/or personnel issues." We noted several instances in which public safety related issues were discussed in closed session. However, this topic is never cited in the open minutes when voting to go into closed session.

- Meeting minutes were not sufficient to demonstrate how some issues discussed in closed meetings were allowable under the Sunshine Law. We noted one instance in which the assignment of security to the municipal court was discussed and another where red light camera placement was discussed. We noted a few instances in which awards or expenditures of Buffer Zone Program Grants (Homeland Security) were discussed. It is unclear how these topics meet the exceptions established for discussing items in closed session.

Chapter 610, RSMo, provides that the question of holding a closed meeting and the reason for the closed meeting be voted on at an open meeting. The law also provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, and limits what types of topics can be discussed in closed meetings.

### 2.2 Public Disclosure

The KCBPC does not always make public the final disposition of some legal matters discussed in closed meetings. Lawsuits against the KCBPC are frequently settled; however, the final resolutions are not always publicly disclosed. Section 610.021, RSMo, requires certain legal matters discussed in closed meetings be made public upon final disposition, including the terms of lawsuit settlements.

### Recommendations

The Kansas City Board of Police Commissioners:

- 2.1 Ensure meeting minutes specifically document the reasons for going into closed session, and ensure only allowable topics are discussed in closed meetings.
- 2.2 Ensure the final disposition of legal matters discussed at closed meetings is made public as required by state law.

### Auditee's Response

*The Board of Police Commissioners and Chief of Police provided the following written responses:*

- 2.1 *The Board of Police Commissioners (BOPC) is very attentive to the topics which may be discussed in closed session. The BOPC does not want to be overly detailed in the documentation of topics discussed in closed session so as not to inadvertently divulge closed*



## Kansas City Board of Police Commissioners Management Advisory Report - State Auditor's Findings

*topic information. The BOPC believes the documentation of captured topics are in compliance with State Statute, however going forth the BOPC will work closely with the BOPC Attorney to ensure only allowable topics are discussed in future closed sessions.*

- 2.2 *The BOPC understands the need of information sharing on closed topics. This task can be better accomplished by presenting information discussed in closed session once the subject is finalized and there is no compromise of public safety, state statute or security of a target.*

*The BOPC further agrees than an enhancement to the disclosure of financial settlements by the BOPC can be made. This will be accomplished by adding a statement upon conclusion of a settlement to the next published BOPC meeting minutes in words to the effect that "on (Date) the Board of Police Commissioners entered into a settlement agreement in the amount of (Dollars) in the civil case of (Name)". Those BOPC meeting minutes will then be distributed in the normal public venues currently used by the BOPC.*

### 3. Expenditures

Policies regarding the college tuition reimbursement and incentive programs should be evaluated. In addition, a public purpose was not demonstrated or documented for some expenditures reviewed.

#### 3.1 College Incentive Program

The KCBPC college incentive program does not place a cap on the amount of tuition that may be reimbursed to each employee. In addition, the program does not require college credit courses be job related to be eligible for tuition reimbursement. Further, the program does not require the degree held be job related in order to receive monthly college incentive pay.

The KCBPC's college incentive program reimburses 75 percent of tuition and \$150 per term for books (up to \$600 per year) for employees that have worked for the KCBPC for 1 year. In addition to these reimbursements, monthly college incentive pay is awarded to sworn employees based on degrees earned. Employees with an associate degree receive \$50 per month; sworn employees with a baccalaureate degree receive \$75 per month; and sworn members with a masters degree, specialist degree, or doctorate receive \$100 per month. The KCBPC paid tuition reimbursements to employees totaling \$500,334 and \$282,275 in fiscal years 2011 and 2010, respectively. In addition, college incentive pay to sworn employees totaled \$727,310 and \$717,802 in fiscal years 2011 and 2010, respectively.

KCBPC personnel indicated that due to budget constraints, the maximum amount an employee may currently receive in tuition reimbursements is \$5,250 per year, the nontaxable limit. However, the written policy does not



## Kansas City Board of Police Commissioners Management Advisory Report - State Auditor's Findings

place a maximum on the amount of tuition that may be reimbursed per year to each employee or the number of years an employee may receive reimbursements. In addition, the program does not require college credit courses reimbursed or degrees held be job related and, as a result, may be preparing employees for new or unrelated careers for which positions may not be available in the department upon completion of the degree.

We noted one instance during fiscal year 2011, in which a deputy chief received \$2,535 in educational assistance and received a Master of Education degree. We also noted an instance in which an officer receives college incentive pay of \$100 per month for holding a seminary degree. It is unclear how a masters in education and a seminary degree are significant to the duties of these officers.

The KCBPC should reevaluate the college incentive program and consider placing a maximum on the amount of tuition reimbursable to employees to ensure only reasonable amounts are reimbursed. In addition, to ensure tuition reimbursement and incentive pay are beneficial to the department, the KCBPC should consider requiring all courses and degrees be job related.

### 3.2 Public Purpose

During the 2 years ended April 30, 2011, the following disbursements were noted for which a public purpose was not documented:

Description	Amount
Retirement rings & awards	\$ 58,918
Annual unit dinners	43,450
Chief's office T-shirts & mugs	9,285
Food for Board meetings	7,423
Cakes/cookies for meetings/ceremonies	3,474
Total	\$ 122,550

These expenditures do not appear to be a necessary and prudent use of public funds. The KCBPC should reevaluate the policies regarding the purchasing of items for which a public purpose cannot be clearly demonstrated.

A similar condition was noted in our two prior reports.



Kansas City Board of Police Commissioners  
Management Advisory Report - State Auditor's Findings

## Recommendations

The Kansas City Board of Police Commissioners:

- 3.1 Review the current college incentive program to ensure tuition reimbursements and college incentive payments are reasonable in amount and of a direct benefit to the department.
- 3.2 Evaluate the policies regarding purchases of items for which a public purpose cannot be clearly demonstrated.

## Auditee's Response

*The Board of Police Commissioners and Chief of Police provided the following written responses:*

- 3.1 *The Department establishes a maximum yearly amount an employee may be reimbursed for college course work which is in compliance with IRS tax regulations set at \$5,250. To establish a maximum life time reimbursement would place a restriction on the amount of education an employee might pursue during their career on the Department. The Department encourages its employees to pursue education during their careers to improve their skills and make them more valuable to the Department and the community which they serve.*
- 3.2 *Funding for flowers, cakes, retirement rings, fruit baskets, etc. are an investment in our employees. These small tokens are designed to add to the morale and assist in the retention of the Department members by showing appreciation for tenure and dedication to the Department and community. No change in this policy is anticipated.*

## 4. Service Charges

While a cost study has been performed to determine the fees to charge for report reproduction and criminal record checks, the amount actually charged is less than the calculated fee, resulting in potential lost revenue to the department of approximately \$245,200 during 2011 and 2010. In addition, estimates of labor costs are used in determining these fees, but there is no documented time study or other support for the estimates used.

The most recent cost study performed estimated Records Department employees spend 70 percent of their time on report reproduction and 30 percent on record checks. No record is maintained of the amount of time actually spent performing these functions. KCBPC personnel indicated an accurate cost study has not been possible due to the complexity of employee work schedules. Based on the current cost study, the estimated cost per report reproduced is about \$14, but the fee currently charged is only \$11. The estimated cost of a criminal record check is about \$17, but the fee charged is only \$9. During 2011 and 2010, there were approximately 65,200 reports sold and approximately 6,200 record checks performed.



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Kansas City Board of Police Commissioners  
Management Advisory Report - State Auditor's Findings

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By charging a lesser rate than the fee determined by the cost study, the department is not covering the costs of providing the service. In addition, without accurate time studies or other supporting documentation to support estimates used in determining the rates charged for some services, it is unclear whether the rates assessed for these services are set at an appropriate level.

## Recommendation

The Kansas City Board of Police Commissioners maximize revenues by charging the calculated fees for all applicable services and periodically perform time studies to determine if estimated labor costs are reasonable.

## Auditee's Response

*The Board of Police Commissioners and Chief of Police provided the following written response:*

*The Department has not completed a work time study in the Records Unit since 2004. As of 2004, the Department was still utilizing paper reports. The Department's fee structure for report sales and criminal history records checks is based upon the data derived from the 2004 work time study. Since that time, the Department has transitioned to electronic paperless reports for the most part. No work time study has been performed since transitioning to paperless reports.*

*The Department agrees that a current work time study should be performed in the Records Unit to assure fees collected for reports and criminal history records checks are appropriate.*

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## 5. Capital Assets

Procedures and records to account for the disposition of KCBPC property are not adequate. Capital assets totaled \$55.7 million and \$54.9 million at April 30, 2011 and 2010, respectively. Capital asset dispositions totaled \$2.8 million and \$6.5 million for fiscal years ended April 30, 2011 and 2010, respectively.

The KCBPC does not have adequate procedures in place to identify capital asset dispositions throughout the year. According to KCBPC policy, when an asset is to be disposed, an inventory action form should be completed and forwarded to the accounting department. However, it does not appear the policy is adhered to consistently. During our review of the records for the most recently completed annual inventory, we noted some of the assets not located were believed to have been discarded and no further investigation to locate the assets was performed. For example, 14 assets, including 5 computers, were not located at the North Patrol Division where assigned, and inventory action forms were not located documenting movement of the assets. While a memorandum explaining the discrepancies noted some of the assets were disposed of by the city's Surplus Property Department, the computers were assumed to have been transferred to the proper division for disposal, although no documentation of the transfers was located.





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Kansas City Board of Police Commissioners  
Management Advisory Report - State Auditor's Findings

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Adequate capital asset records and procedures are necessary to ensure effective internal controls and provide a basis for determining proper insurance coverage. Procedures to track capital asset dispositions throughout the year and compare to physical inventory results would enhance the KCBPC's ability to account for capital assets and potentially identify unrecorded dispositions, identify obsolete assets, and deter and detect theft of assets.

## Recommendation

The Kansas City Board of Police Commissioners ensure procedures for disposal of department property are followed including the completion and submission of property movement forms.

## Auditee's Response

*The Board of Police Commissioners and Chief of Police provided the following written response:*

*The Department agrees with the Auditor that better accountability needs to be achieved in the disposal of Department property. The Department is currently developing a system of checks and balances to ensure that better detailed policies and procedures are in place to properly track and account for Department property.*

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## 6. Property and Evidence

The Property and Evidence Section (PES) is currently holding old evidence stored in its property room which may have no evidentiary value to the KCBPC.

A PES Sergeant indicated the PES has been unable to dispose of evidence related to some ordinance violations because information on the disposition of these cases is missing from the Kansas City municipal court justice information system. PES personnel indicated a listing of the missing cases was provided to the prior Court Administrator on several occasions years ago, but the problem was not resolved. As a result, the Sergeant stopped updating the listing in February 2007. At February 2007, the list contained information on 883 missing cases. The PES has recently renewed discussion with the municipal court to attempt to determine the disposition of these cases so the evidence can be disposed of properly.

Failure to properly dispose of or destroy old evidence creates a lack of space to store items with evidentiary value and increases the amount of time to conduct physical inventories.

Section 542.301.1(d), RSMo, states that a law enforcement officer having custody of seized property may, at any time that seized property has ceased to be useful as evidence, request the prosecuting attorney of the county in which the property was seized file a motion with the court of such county for the disposition of the seized property.



Kansas City Board of Police Commissioners  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The Kansas City Board of Police Commissioners purge old evidence in accordance with state law.

## Auditee's Response

*The Board of Police Commissioners and Chief of Police provided the following written response:*

*The Department agrees with the Auditor in regard to purging old evidence no longer relevant or needed for a criminal case. The Property and Evidence Section strives to purge the amount of evidence stored equivalent to what is taken in for retention. The Property and Evidence Section has been reviewing new software which will assist in the management of evidence storage.*

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# Kansas City Board of Police Commissioners

## Organization and Statistical Information

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The Kansas City Board of Police Commissioners (KCBPC) was established by an act of the legislature in 1873 to provide law enforcement protection to the citizens of the City of Kansas City. The KCBPC operates under the provisions of Sections 84.350 to 84.860, RSMo.

The KCBPC consists of five members. The Governor, with the consent of the Senate, appoints four commissioners who, with the mayor of the City of Kansas City, control the operations of the Kansas City Police Department. The board members are appointed for a term of 4 years.

The members of the KCBPC at April 30, 2011, were:

### Board of Police Commissioners

Member	Term Expires
Patrick McInerney, President	March 7, 2013
Alvin Brooks, Vice-President (1)	March 7, 2011
Angela Wasson-Hunt, Treasurer	March 7, 2014
Lisa Pelofsky	March 7, 2012
Mayor Mark Funkhouser (2)	May 1, 2011

- (1) Commissioners whose terms have expired continue to serve until a new member is appointed by the Governor.
- (2) Mark Funkhouser was replaced by Sylvester "Sly" James upon being sworn in as mayor on May 1, 2011.

### Chief of Police

The Chief of Police is appointed by the board and oversees the department's five bureaus and the Chief's office. James Corwin served as Chief of Police until October 13, 2011, and his annual compensation was \$165,739. Upon his retirement, Darryl Forte was appointed Chief of Police at an annual compensation of \$165,739. The Chief's compensation is established by the board. The department consisted of 1,415 sworn officers and 576 civilians at April 30, 2011. The Chief's office and the five bureaus are as follows:

### Bureaus

The Chief's office includes the Office of General Counsel, Internal Audit, Internal Affairs, Private Officers Licensing Section, and the Incident Review and Information Sharing Unit.

The Administration Bureau includes the Records Unit and the Human Resources Division.

The Patrol Bureau includes the six patrol divisions; the Traffic Enforcement and Parking Control Sections; and the Helicopter, Canine, Mounted Patrol, and Bomb and Arson Sections.

The Executive Services Bureau includes the Fleet Operations, Communications, Property and Evidence, Detention, and Communications Support Units; the Purchasing, Supply, and Account and Payroll Sections;



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## Kansas City Board of Police Commissioners Organization and Statistical Information

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the Budget Preparation and Control and Private Alarm Sections; and the Building Operations and Capital Improvements Units.

The Investigations Bureau includes the Homicide, Robbery, and Special Victims Units; the Drug Enforcement and Street Crimes Units and the Investigative Support Center; and the Evidence Collection and Evidence Analysis Units.

The Professional Development and Research Bureau includes the Training and Research and Development Divisions.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to management, the KCBPC was awarded the following American Recovery and Reinvestment Act of 2009 funding:

A Community Oriented Policing Services - Hiring Recovery Program grant of \$8,366,750 was awarded by the U.S. Department of Justice to provide entry level salaries and fringe benefits to hire 42 officers and to retain entrant officers from the academy. The grant requires these positions be maintained for at least a year after the end of the grant period. During the year ended April 30, 2011, \$3,819,510 was expended and \$3,533,382 was received.

A Recovery Services Training Officers Prosecutors (STOP) Violence Against Women Formula Grant Program grant of \$121,440 was awarded by the U.S. Department of Justice to provide two contract positions at the crime lab. During the year ended April 30, 2011, \$118,830 was expended and \$106,387 was received.

Recovery Act: Edward J. Byrne Memorial Justice Assistance Grants were awarded by the U.S. Department of Justice to the state of Missouri, Department of Public Safety, and \$59,232 was passed through to the KCBPC via the Kansas City Multi-Jurisdictional Task Force to combat drug-related crimes and strengthen law enforcement efforts. The KCBPC expended these funds to pay for travel expenses, vehicle leases, and cell phone services. During the year ended April 30, 2011, \$40,254 was expended and \$31,916 was received.

### Financial Information

Audited financial information as prepared by the KCBPC's CPA firm for the years ended April 30, 2011 and 2010, is available from the department upon request.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Kansas City 33 School District

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August 2012

Report No. 2012-81



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<http://auditor.mo.gov>

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# Kansas City 33 School District

## Follow-Up Report on Audit Findings

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#### Status of Findings\*

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\*Includes selected findings



# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Board of Education  
Kansas City 33 School District

We have conducted follow-up work on certain audit report findings contained in Report No. 2011-82, *Kansas City 33 School District*, issued in October 2011, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the district, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by the district and held discussions with district personnel. Documentation included copies of contracts; bid documentation; purchasing policies and procedures; vendor selection and contract assessment reports issued by the district's independent CPA; board minutes; and inventory reports. This report is a summary of the results of this follow-up work, which was substantially completed during March and April 2012.

A handwritten signature in black ink, reading "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

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# Kansas City 33 School District

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Service Contracts      The district issued some contracts for services without soliciting requests for proposals from vendors. Some contracts provided little or no monitoring criteria to allow for the evaluation of the services provided, and some services were provided without a formal written contract.

1.1 Requests for proposals      The district awarded numerous service contracts without soliciting proposals or clearly documenting why proposals were not sought. In addition, the district had not performed cost analyses to determine the most cost beneficial method of providing some services.

Recommendation      The Kansas City School Board periodically solicit proposals for all services and ensure adequate documentation is maintained to support the evaluation and selection process. In addition, the district should continue to examine the need for certain service contracts and take appropriate action as necessary.

Status      **In progress**

The Purchasing Department recently implemented policies and procedures to ensure proposals are solicited for the purchase of applicable goods and services and to ensure adequate documentation is maintained to support the evaluation and selection process. In addition, the district implemented policies and procedures in January 2012 to address emergency purchase situations and sole source vendors, and to confirm "no-bid" responses from vendors. We were unable to determine if the district is currently performing cost analyses to determine the most cost beneficial method of providing some services as we noted no contracts requiring such a review were entered into during fiscal years 2011 and 2012.

District procurement services procedures require the purchase of all goods and services be reviewed by the Procurement and Contract (P&C) Committee. The P&C Committee consists of members of the Purchasing Department and Legal Services Department. The P&C Committee reviews initial specifications, assists in determining the mode of solicitation (IFB (Invitation For Bid) or RFP (Request For Proposals)), and decides whether a service agreement is needed. A Procurement and Contract Informational Form must be completed and submitted to the P&C Committee. The form includes a description of the goods/services, an estimate of the cost, and the vendor's information. Competitive quotes and bid solicitation are then performed in accordance with written procedures. Upon completion of the solicitation process, the P&C Committee Informational Form is signed by the Purchasing Manager and a member of Legal Services, before it is submitted to the Superintendent for approval. The new procedures require the creation of a fiscal note summarizing the cost of the contract, which is not prepared until documentation of bidding has been reviewed. A contract





Kansas City 33 School District  
Follow-up Report on Prior Audit Findings  
Status of Findings

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cannot be added to the Board of Education's agenda for approval without a fiscal note.

The improvements to the district's procurement services procedures are the result of a review of contracts and department policies and procedures by the current Purchasing Manager (hired in October 2011) and the current Chief Financial Officer (hired in November 2011), and findings and recommendations by the district's independent auditors related to contract reviews.

- As a result of an investigation by the news media, the district's independent auditor reviewed the selection and contract assessment for Project 360. The RFP for Project 360 solicited construction management services for refurbishment work on district buildings in need. The refurbishment project was estimated to cost \$50 million to \$55 million. The news media reported an unpaid adviser early in the process later founded his own construction services company and was awarded the contract to serve as construction manager for Project 360; giving the appearance of a conflict of interest. As a result, the district contracted with its independent auditor to review the selection of the construction manager. The independent audit found that no employee acted fraudulently or intentionally to inappropriately impact the selection process in favor of any supplier. However, it did find significant issues including: 1) the procurement department was not effectively involved in the RFP development and evaluation; 2) the rationale for selecting the vendor was not clearly documented by the selection team; 3) the selection team did not vet the proposer's relative financial strength and did not check any of the proposer's references; and 4) confidentiality agreements were not in place with external consultants, and return of proposals and other related documents were not requested by the district from the consultants.
- The district entered into a contract in December 2011 for \$150,000 to assess the technology department and provide best practice recommendations to the district, and review the district's compliance with the federal e-rate technology discount program. At the time of the review, the district purchasing policy did not require a bid process for professional services, and as such, no bid process was conducted for the services under this contract, and only one vendor was contacted for these services. In addition, a personal relationship existed between the supplier and a district employee, but the district does not have a policy outlining the procedures to avoid potential conflicts of interest.
- The district entered into contracts with a vendor in November 2011 for \$419,000 to replace the boiler at the board of education building and in March 2011 for \$117,000 to install security cameras at Southwest High



Kansas City 33 School District  
Follow-up Report on Prior Audit Findings  
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School. No proposals were solicited as the purchases were deemed emergencies by the Superintendent and only one vendor was contacted. At the time of these services, the district did not have a policy or procedures in place to address emergency purchase situations. In January 2012, the district implemented procedures for emergency purchases and now requires the completion of an emergency purchase justification form that must be approved by the head of the department and the Superintendent prior to making the purchase or entering into the contract. In addition, a personal relationship existed between the supplier and a district employee, but the district does not have a policy outlining the procedures to avoid potential conflicts of interest.

- In June 2011, the district entered into a contract with the same vendor discussed in the previous bullet for \$840,611 to install security cameras at the remaining high schools. An IFB was advertised in three local newspapers and the district's e-bidding system. The IFB did not include sufficient details regarding bidder licensing and certification requirements. As a result, three bidders, including the lowest bidder, may have been inappropriately eliminated. The district did not evaluate the possibility of reissuing the IFB after the majority of the bidders were eliminated.

We reviewed several contracts entered into during the year ended June 30, 2012, and had concerns related to district procedures for entering into contracts based on "piggy back" agreements. These are contracts where the vendor is selected based on governmental agency or cooperative procurement program contracts with other entities. The district did not ensure these agreements were competitively bid by the governmental agency/cooperative procurement program which originally contracted with the vendor. The district has indicated these "piggy back" agreements will be competitively bid in the future or documentation of competitive bidding will be obtained from the entity which originally contracted with the vendor.

## 1.2 Contract monitoring

The district did not always include monitoring criteria and/or monitor service contracts effectively. Some contracts had monitoring criteria which were vague or non-existent.

## Recommendation

The Kansas City School Board ensure service contracts include appropriate criteria which provide a means to monitor contractor performance and ensure each contract is monitored properly.

## Status

### **Not implemented**

The district is still not ensuring some service contracts include appropriate criteria to monitor contractor performance. During the district's fiscal year 2011 audit, the district's independent auditor noted an adequate process and



Kansas City 33 School District  
Follow-up Report on Prior Audit Findings  
Status of Findings

controls are not in place to monitor vendors funded with Title I, Part A funds.

### 1.3 Written contracts

Some service contractors were allowed to operate without a signed contract. In addition, the Board approved additional payments on several contracts without formally amending the contracts.

### Recommendation

The Kansas City School Board ensure contract agreements are signed by all necessary parties prior to the effective date. In addition, any changes should be properly documented in formal written contract amendments.

### Status

#### **Implemented**

We selected several contracts issued during 2012 and 2011 and determined all were signed by the necessary parties prior to the effective date of the contract. Some contracts we reviewed had amendments which appeared to document the changes and were properly signed.

## 3. Capital Assets and Surplus Property

An excessive amount of surplus property was kept in storage and was not adequately tracked. The district maintained 38 closed schools, and significant costs were incurred to maintain those schools. Controls and procedures over the annual inventory process for district-wide capital assets needed improvement, and leases for assets were not reviewed adequately.

### 3.1 Surplus property

The district maintained excessive amounts of obsolete, surplus property at a former school building. The property was stored in an unorganized manner, making it difficult to tell what was available for use. In addition, the district did not maintain a list of surplus property not capitalized.

The district began disposing of some surplus property in February 2011, through the use of online auctions. Prior to that time, the district had not had a surplus property auction since 2005.

### Recommendation

The Kansas City School Board maintain an inventory of surplus property and make a list of surplus property available to the schools. Any unusable items should be disposed of properly.

### Status

#### **In progress**

The district has taken steps to dispose of unusable items. Between March 2011 and April 2012, the district sold 1,001 items through the City of Kansas City, Missouri, Procurement Services Division. Net cash proceeds from the sale of the items totaled \$122,925.

The district is in the process of preparing an inventory of surplus property. All surplus property has been moved to a more suitable district building for



Kansas City 33 School District  
Follow-up Report on Prior Audit Findings  
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storage and disposal and will be inventoried by the end of fiscal year 2012. After the inventory, a list of surplus property will be available.

### 3.2 Unused buildings

The district maintained a large number of unused buildings and paid a significant amount for utilities for these closed buildings. At June 30, 2010, the district had 38 closed schools. Eight closed buildings were retained for future district use and the other 30 were under evaluation to determine their potential for alternative uses.

#### Recommendation

The Kansas City School Board continue efforts to identify alternative uses for surplus real estate properties and sell the properties which cannot be utilized for another purpose.

#### Status

##### **Implemented**

The district has continued its efforts to identify alternative uses for surplus real estate properties and sell the properties which cannot be utilized for another purpose. The buildings are owned by the Kansas City Missouri School District (KCMSD) Building Corporation, a not for profit entity, and any sales must be approved by the KCMSD Building Corporation. The status of the 30 properties are as follows:

- Two properties have been sold.
- Sales for six properties have been approved by the KCMSD Building Corporation.
- Proposals for the reuse or sale of seven properties have been received and are being reviewed.
- The district is accepting proposals for the reuse or sale of one property through a real estate broker.
- No proposals were received for one property listed for sale. A proposal was received for another property listed for sale. The proposal was not from a not for profit entity, which is required by law. The district is currently accepting proposals on these properties on a first come, first serve basis.
- Proposals for the reuse or sale of the remaining 12 properties will be sought later in 2012.

### 3.3 Inventory

Property movement procedures were not followed and as a result, the capital asset list was inaccurate and a large number of assets could not be accounted for during the annual inventory. In addition, the annual inventory was not completed in a timely manner.



Kansas City 33 School District  
Follow-up Report on Prior Audit Findings  
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The annual physical inventory for fiscal year 2010 was performed at 58 district buildings, included 56,600 items, and took 8 months to complete. A vendor performed the inventories at 36 locations within approximately 2 months each, while the remaining locations inventoried by district personnel took about 5 months to complete. The results of the physical inventory indicated 4,420 items (8 percent), valued at \$2.6 million were not located.

## Recommendation

The Kansas City School Board ensure the annual physical inventory is performed in a timely manner, and missing items are promptly investigated and compared to lists of assets located at locations other than the one listed in the inventory system. Appropriate controls should be implemented to safeguard assets highly susceptible to loss or theft. In addition, the Board should ensure property movement forms are complete, accurate, and submitted in a timely manner.

## Status

### In progress

The District Asset Manager indicated all locations would be inventoried by the vendor for the 2012 annual physical inventory. In addition, the district increased the capitalization amount from \$300 to \$1,000. As a result, the number of a new assets being tagged and inventoried has decreased. The 2012 inventory should be completed in a more timely manner as a result of these changes.

The district indicated additional controls and procedures have been established to safeguard assets highly susceptible to loss and/or theft, such as laptop computers. Through April 2012, the district has recovered six stolen computers by utilizing a tracking mechanism located within the computers. The district plans to continue to use these tracking devices in the future.

District controls and procedures over the movement of district property from one district building to another have not been improved. However, district personnel indicated they plan to improve these procedures in the future.

## 3.4 Leased copiers

Leased assets were not controlled and accounted for properly. Our review of the leased copier listing indicated 14 copiers were located at five closed schools. At our request, the district located these 14 copiers and found three copiers had been moved to another school, but the remaining 11 were in storage or at a closed school. The district was incurring expenditures for the unused copiers.

## Recommendation

The Kansas City School Board conduct periodic inventories of leased copiers and consider amending the copier lease to allow for the return of unused copiers or relocate them to another building where they may be utilized.



Kansas City 33 School District  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Status**

**Implemented**

The district no longer leases copiers. Instead, the district purchases copiers and they are included in the annual physical inventory of capital assets.



# Thomas A. Schweich

Missouri State Auditor

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## City of Clarksdale



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August 2012

Report No. 2012-80

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of the City of Clarksdale

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### Water and Sewer Controls and Procedures

Water and sewer system duties are not segregated, and neither the Board of Aldermen nor the Mayor oversees the duties performed by the Water Commissioner. Neither the Mayor nor the Board approves adjustments posted to the water and sewer system, and these adjustments lack supporting documentation. The Water Commissioner was delinquent in his water and sewer account prior to becoming Water Commissioner in May 2011, and was still delinquent as of May 31, 2012.

Rate adjustments have been made without explanation or documentation, rates are not consistently applied, and 38 residences are not currently receiving bills and there is no documented justification for their exemption. Auditors identified one residence which was regularly charged the minimum for sewer services although water usage at this residence was continually above the minimum, and, for November 2011, auditors noted six bills with incorrect rates, including one individual who was charged \$67.50 less than the standard rate chart calculation.

The city does not adequately track the costs of providing water service, and water collections have been used to subsidize the General Fund, in violation of state law. The city has not performed a rate study to determine the rates necessary to support current and future operations and provide customers with documentation of the rationale behind the rates. Delinquent accounts are not administered in accordance with city policy and ordinances, and the total delinquent account balance has increased from \$6,245 in June 2011 to \$10,593 in February 2012. In some instances, accounts were delinquent for many months without disconnection, delinquent notices were not sent, late penalties were not assessed, and landlords were not required to pay delinquent amounts for their renters. One occupant, who was allowed to accumulate a \$1,077 delinquent bill without disconnection, moved out of town and had yet to pay for water services.

The Board no longer receives water reconciliations from the current Water Commission and has taken little action to address significant water losses. For the year ended June 30, 2011, the total gallons of water not billed was 27 percent of water purchased. In March 2011, the city has a water loss of 100,000 gallons due to a faulty meter gauge which was the responsibility of PWSD #1 of DeKalb County, and a 10,800 gallon water loss in October 2011 when a truck damaged a water meter, but the city has taken no action to recoup the cost of water losses from these incidents. The city collects a \$100 deposit from all new water and sewer customers, but does not adequately track these deposits. As of February 2012, city records show \$3,790 of meter deposits on hand, but the city has an additional unidentified \$747 in the meter deposit bank account.

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### Accounting Controls and Procedures

Accounting duties are not adequately segregated. The City Treasurer performs bank reconciliations, records receipt and disbursement information, prepares and distributes checks, and prepares monthly financial



reports with no independent review of the work performed. Monthly bank reconciliations are not performed, making it difficult to detect errors timely. The city lacks procedures to ensure receipts and disbursements are properly allocated to the appropriate city funds, and it is not clear if funds in some city accounts were used appropriately. The city received property taxes of \$34,383 for streets, debt service, and general purposes, but these monies were not consistently deposited into the correct funds. The city deposited state motor vehicle-related receipts of \$1,167 to the General Fund, making it difficult to ensure the receipts were expended only for street-related purposes, as required by the Missouri Constitution.

Audits, Budgets, and Financial Reporting	The city does not obtain annual audits of its water and sewer systems although they are required by state law, and by city loan agreements with the United States Department of Agriculture Rural Development Agency. The city does not prepare annual budgets or publish semiannual financial statements as required by state law. The city has not submitted annual financial reports to the State Auditor's office since 2005.
Street Work	The city does not have a formal bidding policy and did not bid for street repair services costing \$18,000 in fiscal year 2011. The city did not enter into written contracts with the street repair service providers.

In the areas audited, the overall performance of this entity was **Poor**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The City of Clarksdale did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# City of Clarksdale

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Mayor and Board of Aldermen  
Clarksdale, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Clarksdale. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Clarksdale.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized 'S' at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Robert E. Showers, CPA, CGAP
In-Charge Auditor:	Richard Stuck

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# City of Clarksdale

## Management Advisory Report

### State Auditor's Findings

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#### **1. Water and Sewer Controls and Procedures**

Significant weaknesses exist in control procedures over water and sewer services.

##### **1.1 Segregation of duties**

No segregation of water and sewer system duties exists. The Water Commissioner is responsible for all aspects of the water and sewer billing system, including reading meters, entering meter readings into the computer software system, determining who receives bills, making account adjustments, mailing bills, receipting all water and sewer payments, and depositing payments in the bank. There is no oversight of the duties performed by the Water Commissioner.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If segregating these duties is not possible, at a minimum, procedures for adequate independent reviews should be established and documented.

##### **1.2 System adjustments**

Controls over adjustments to the water and sewer system are not adequate. Adjustments are not approved by the Board or Mayor, and adjustments posted to the system lack supporting documentation. We tested the months of November 2010 and 2011, and noted the following:

- An adjustment was posted to the billing system so that a physical bill would not be generated for the Water Commissioner's water and sewer usage. The Water Commissioner's account was delinquent prior to him becoming Water Commissioner in May 2011 and was still delinquent as of May 31, 2012. The Board and the Mayor indicated they were unaware of the Commissioner's delinquent account.
- Rate adjustments have been made to some residents' accounts without explanation or documentation. For example, we noted one occupant who was regularly charged the minimum for sewer services although water usage at the address was continually above the minimum. There was no documentation or approval for this charge waiver.
- Rates are not consistently applied. While examining the billing calculations for November 2010, we noted two sewer bills were not charged the correct rate, and for November 2011, we noted six bills with incorrect rates. For example, one individual used 15,100 gallons of water and was charged \$55 for water and \$41.40 for sewer, but according to the rate chart charges should have been \$92.50 for water and \$71.40 for sewer. Charges were discounted a



## City of Clarksdale Management Advisory Report - State Auditor's Findings

total of \$67.50 for this occupant. There was no written documentation available or explanation from the Mayor for these calculations.

- The billing system allows for specified residences to not be billed for service. Only two properties in the city should not have bills generated, city hall and the city-owned Hawman Center; however, there are 38 residences currently not receiving bills. According to discussions with city personnel, not all of these residences are unoccupied. The Board of Aldermen does not provide oversight to determine which residences are not receiving water bills.

Internal controls should provide reasonable assurance that all system adjustments are accounted for properly. Due to the risks associated with system adjustments and the lack of segregation of duties (see section 1.1), documented approval by the Mayor and/or Board of Aldermen should be obtained before any adjustments are posted to the system. In addition, all adjustments posted to the system should be supported by adequate documentation to provide evidence the adjustment was properly approved and reflected in the appropriate account.

### 1.3 Water costs

The costs of providing water service have not been adequately tracked, and water collections have been used to subsidize the General Fund. In fiscal year 2011, water and sewer collections of \$42,073 were deposited in the General Fund, while water purchases of \$31,296 and the Water Commissioner's salary and expenses of \$4,012 were also paid from the General Fund. In addition, an undetermined amount of payroll withholdings for the Water and Sewer Commissioners and insurance on water and sewer assets are paid from the General Fund.

Section 250.150, RSMo, restricts water and sewer monies to be used for operating the systems, payment of all bonds, establishment of a reserve, fulfillment of any agreements contained in ordinances, and payments of costs of improvements of such system.

### 1.4 Utility rates

The city has not performed a review of water and sewer costs to support the rates charged for those services. The city collected water and sewer fees and taxes of \$95,386 during the year ended June 30, 2011. Water rates were last adjusted in March 2009.

Water and sewer fees are user charges which should cover the cost of providing the related services. A detailed review of water and sewer costs, including depreciation and debt service costs, is necessary to ensure rates are sufficient to cover the total costs of operation. Preparing a statement of costs would not only allow the city to determine the rates necessary to support current and future operations, but would also provide



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City of Clarksdale  
Management Advisory Report - State Auditor's Findings

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documentation to customers of the rationale behind the rates. Such rate studies should be performed periodically.

## 1.5 Delinquent accounts

Delinquent accounts are not administered in accordance with city policy and ordinances. As a result, the total delinquent account balance has increased rapidly. As of June 2011, delinquent accounts were \$6,245, while in February 2012, total delinquent accounts had increased to \$10,593. In addition, as of February 2012, 21 of the city's 122 water accounts were delinquent, resulting in an average delinquent account balance of approximately \$500.

Our review of delinquent accounts revealed numerous instances where 1) accounts were delinquent for many months without disconnection of water service, 2) delinquent notices were not sent, and 3) late penalties were not assessed. Also, landlords were not required to pay delinquent amounts for their renters. In one instance, an occupant was allowed to accumulate a delinquent bill of \$1,077 without a disconnection of water services and without late fees assessed. This individual moved out of town and has yet to pay for water services.

Failure to properly handle and account for delinquent accounts results in an increase in delinquent accounts and a loss of revenue. Following ordinances regarding shutoff procedures for delinquent accounts and assessing appropriate late fees will help ensure all customers are treated equitably, and may help reduce delinquencies.

## 1.6 Water loss

The Board has taken little action to address significant water losses, and no longer receives water reconciliations from the current Water Commissioner. Reconciliations were prepared by the former Water Commissioner comparing the total gallons of water billed to customers to the total gallons of water purchased from the water district; however, there is no evidence the Board took any action to resolve significant differences calculated in these comparisons. For the year ended June 30, 2011, the total gallons of water not billed was 27 percent of water purchased. According to the U.S. Environmental Protection Agency, the water industry goal for unaccounted for water is 10 percent or less.<sup>1</sup> The current Water Commissioner has not prepared a water reconciliation since July 2011.

The majority of water loss is assumed to be due to pipe leaks and system deterioration; however, several instances were noted where the city experienced significant losses that were not in their control. In March 2011, the city reported 100,000 gallons of water loss due to a faulty meter gauge, which was the responsibility of Public Water Supply District #1 of DeKalb

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<sup>1</sup> <http://www.epa.gov/watersense/pubs/utilities.html>, Last updated on February 8, 2012.



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City of Clarksdale  
Management Advisory Report - State Auditor's Findings

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County. Another instance of significant water loss was reported in October 2011, when a truck delivering a dumpster damaged a water meter and caused an estimated water loss of 10,800 gallons. The city has taken no action in either case to recoup the cost of the water loss.

To help detect significant water loss on a timely basis and ensure all water usage is properly billed, the city should document its review of the differences and efforts to resolve them. In addition, the city should ensure it is refunded for water loss beyond its control.

## 1.7 Meter deposits

Procedures to track meter deposits are not adequate. The city collects a \$100 deposit from all new water and sewer customers and deposits the monies in a separate bank account. However, as of February 2012, city records show \$3,790 of meter deposits on hand, while bank records show a balance of \$4,537; an unidentified difference of \$747.

Adequate records of customer deposits should be maintained to ensure all customer deposits have been received and are accounted for properly. An analysis is necessary to identify the amount of the deposit held for each customer. Preparation of a detailed list of customer deposits would provide a means to perform periodic reconciliations between customer deposit records and monies in the account. Without these reconciliations, the possibility of undetected errors is increased.

## Recommendations

The Board of Aldermen:

- 1.1 Segregate the Water Commissioner's duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.
- 1.2 Ensure all system adjustments are approved by the Board and the ability to post such transactions to the system is segregated from other collection and billing activities. In addition, the Board should require adequate supporting documentation before the adjustment is applied.
- 1.3 Ensure all receipts and disbursements for water and sewer are tracked separately.
- 1.4 Review utility rates periodically to ensure receipts are sufficient to cover all costs of providing these services and maintain reserves adequate to sustain the system.
- 1.5 Ensure delinquent accounts are handled in accordance with city policy and ordinances.





City of Clarksdale  
Management Advisory Report - State Auditor's Findings

- 1.6 Ensure water purchased is reconciled to water billed monthly. The reconciliation should be reviewed monthly and significant differences should be documented, investigated, and resolved.
- 1.7 Maintain adequate records of all customer deposits held by the city and periodically reconcile these deposits to the Meter Deposit Account.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 1.1 *Segregation of water and sewer system duties is now in place. New city policy was written and tentatively accepted by the Board on March 20, 2012 to be tested for workability. It was seen as effective for two months, then voted on and approved by the Board as ongoing policy May 17, 2012.*

*The Water Commissioner is responsible for reading the meters, installing new meters, repairing or arranging to repair leaks, accepting new water meter requests, turning water on and off, and accepting deposits at the time water is turned on (not cash). He is responsible for keeping water standards and procedures current, doing testing, required state reports, and emergency calls. He is responsible to issue a monthly report to the Board concerning general water issues. The previous water commissioner has been replaced.*

*The City Clerk is responsible for entering the meter readings into the computer system, generating the individual bills, and mailing them in a timely manner. She will keep track of all overdue bills. She is responsible for overdue notices, late notices, and issuing shut-off work orders to the Water Commissioner. She is responsible to issue a monthly report to the Board concerning current customer compliance issues.*

*The City Treasurer is responsible for collecting the payments as received, reconciling the bank deposit amount with the payment stubs, and depositing the funds in the appropriate account. She is responsible for issuing a monthly report to the Board concerning the water account, sewer account, and the water deposit account, and to reconcile the bank statement with the deposits made.*

- 1.2 *The water commissioner in question is no longer employed by the city and a repayment plan has been established to recover his delinquent account. All water/sewer rates of all customers have been reviewed and the correct rates have been established for each. The mayor and Board are apprised each month at the Board*



City of Clarksdale  
Management Advisory Report - State Auditor's Findings

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*meeting, by written report, regarding new customers, those who have moved out, progress on delinquent accounts, amount of water bought, sold, and percentage unaccounted for. All occupied residences are receiving bills. Those on the market to be sold are either paying minimum cost per month (if on), or turned off. The City Clerk is receiving 12 hours formal training to operate the computer utility billing and reporting software system. Policy is being written to state that requested adjustment to the rating system must be voted on and approved by the Board before the adjustment can be made. All adjustments, with reasons and date of approval, will be properly identified on the individual computer account, in the monthly water report and in the Board monthly minutes.*

- 1.3 The city is in the process of redoing the financial system. New software has been purchased and will be installed on the city computer system. The amount in each fund will be kept clear, and the water and sewer deposits will be separated.*
- 1.4 A water/sewer rate study will be done. The water cost to the city of Clarksdale from the supplier went up 17% in June 2012, and the rate must be adjusted rapidly to avoid additional losses. An ordinance will be presented to the Board for approval before the increase is put into effect.*
- 1.5 The City of Clarksdale has made significant efforts in the last 3 months to establish a method to track and address delinquent accounts, apply appropriate late fees, and perform shut-offs when appropriate and required. As of May 17, 2012 a total of \$3,367.49 in delinquent bills had been collected. Ten customers are actively working on individualized payment plans (negotiated and approved by the Board) to clean up old bills and avoid shut-offs. One customer has been shut off for non-payment and non-compliance with requests. A city ordinance is being drawn up for presentation to the Board concerning policies concerning late fees, late notifications, shut-off notices and restoration of service. A plan is in place to notify landlords that they will be responsible in the future for up to three months worth of delinquent water/sewer bills accrued by their renters, by Missouri state statute.*
- 1.6 The monthly water reconciliations will be performed and reviewed by the Board. The instances reported in March 2011 (PWSD#1) and October 2011 are being followed up by letters requesting payment of lost water cost, with copies to our attorney.*



City of Clarksdale  
Management Advisory Report - State Auditor's Findings

1.7 *The water deposit account listing has been thoroughly reviewed, and additional names and amounts have been added from hard-copy forms from the files. The overage has been accounted for. This account will be reviewed monthly and withdrawals and deposits accounted for in the monthly report to the Board.*

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## 2. Accounting Controls and Procedures

Accounting controls and procedures need improvement.

### 2.1 Segregation of duties

Accounting duties are not adequately segregated, and the Board does not adequately review the work performed by the City Treasurer. The Treasurer's duties include performing bank reconciliations, recording receipts and disbursements, preparing and distributing checks, and preparing monthly financial reports. No independent review of the duties performed by the Treasurer is performed.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, a periodic independent review of the records should be performed and documented.

### 2.2 Bank reconciliations

Monthly bank reconciliations are not performed. Outstanding checks and deposits in transit are listed on the back of the bank statement; however, an adjusted bank balance is not calculated and a comparison to the book balance is not documented.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to help detect errors on a timely basis. Accurate book balances should be maintained for each fund to allow for a comparison to reconciled bank balances, and differences should be identified and corrected.

### 2.3 Restricted funds

The city has not established procedures to ensure receipts and disbursements are properly allocated to the appropriate city funds. It is also unclear if monies in some city accounts were used appropriately. In addition to water and sewer monies being comingled with the General Fund (see MAR finding number 1), our review noted the following issues:

- In fiscal year 2011, the city received property taxes of \$34,383 for streets, debt service, and general purposes. These monies were not consistently deposited into the correct funds. At times, property tax collections were deposited into only one of the three funds. Some of these taxes are restricted by ballot language or state law.



## City of Clarksdale Management Advisory Report - State Auditor's Findings

- During the year ended June 30, 2011, the city deposited state motor vehicle-related receipts of \$1,167 to the General Fund. Article IV, Section 30, Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes.
- Interest earned on the city's main bank account was placed in the General Fund despite the account containing water, sewer, and streets monies. Interest income should be allocated to the appropriate funds using a reasonable basis.

To ensure restricted monies are used for the intended purpose, monies received should be credited to the appropriate fund, and disbursements should be paid from the appropriate city funds, or allocated using a reasonable basis.

## Recommendations

The Board of Aldermen:

- 2.1 Adequately segregate the duties of receiving, recording, depositing, and disbursing monies. At a minimum, the Board should perform a documented review of these functions on a periodic basis.
- 2.2 Reconcile bank records to city accounting records on a monthly basis.
- 2.3 Ensure restricted receipts such as property taxes, interest, and motor vehicle-related taxes are credited to the proper city fund, and used only for allowable purposes.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 2.1 *The Board will review the city's fund balances in each of the specified funds, as well as the accounts (general, water/sewer, water deposits, and debt service), and will review the monthly bank reconciliation, to ensure the reconciled balance agrees to fund balance. The mayor or an assigned alderman will sign off each month on the reconciliation.*
- 2.2 *An accounting books' balance for each fund will be maintained. The bank records will be reconciled to the city's accounting books' balance. A separate page for each fund will be maintained. The software "Quickbooks" has been purchased and installed on the city's computer, to aid in this plan.*



City of Clarksdale  
Management Advisory Report - State Auditor's Findings

2.3 *We will assure that restricted receipts, including levied taxes, interest, and motor vehicle-related taxes will be deposited and credited to the proper city fund. The treasurer will determine, and the Board will ensure they are used solely for allowable purposes.*

### **3. Audits, Budgets, and Financial Reporting**

The city does not obtain required annual audits, properly prepare budgets, or prepare required financial reports.

#### **3.1 Audits**

The city does not obtain annual audits of its water and sewer systems. Section 250.150, RSMo, requires the city to obtain annual audits of the combined water and sewer system and provides the cost of the audit is to be paid from the monies received from the system. Also, city loan agreements with the United States Department of Agriculture Rural Development Agency require the city to obtain annual audits of its water and sewer systems. In addition to being required by state law and loan agreements, annual audits of city funds help ensure financial transactions are properly recorded.

#### **3.2 Budgets**

Annual budgets are not prepared as required by state law. Budgets should include all city funds, a budget message and general budget summary, actual beginning and estimated ending available resources, actual receipts and disbursements for the 2 preceding years, and city indebtedness.

Section 67.010, RSMo, requires political subdivisions to prepare annual budgets, requires the budget present a complete financial plan for the ensuing budget year, and outlines the various information to be included. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and utility rates and informing the public about city operations and current finances.

#### **3.3 Financial statements**

The city has not published semiannual financial statements as required by state law. Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish a full and detailed account of the receipts, disbursements, and indebtedness of the city semiannually. Complete and accurate financial statements are necessary to keep citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

#### **3.4 Financial reporting**

The city does not submit annual financial reports to the State Auditor's office. The most recent report filed was for the city's 2005 fiscal year. Section 105.145, RSMo, requires each political subdivision to file annual



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City of Clarksdale  
Management Advisory Report - State Auditor's Findings

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reports of its financial transactions. In addition, 15 CSR 40-3.030 requires the annual financial report to be filed within 4 months after the end of the political subdivision's fiscal year if an unaudited financial report is filed and within 6 months after the end of the political subdivision's fiscal year if an audit report prepared by a certified public accountant is filed.

## Recommendations

The Board of Aldermen:

- 3.1 Obtain annual audits of the combined water and sewer system as required by state law and loan agreements.
- 3.2 Ensure annual budgets are prepared and contain all information required by state law.
- 3.3 Ensure semiannual financial statements are published in accordance with state law.
- 3.4 Submit annual financial reports to the State Auditor's office as required by state law.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 3.1 *Our city is in the process of contacting auditors for the purpose of obtaining a combined audit of the city water and sewer system, as well as an audit of the city finances.*
- 3.2 *The Board has prepared an annual budget for 2012-2013 fiscal year, but it is not yet in the appropriate format. We have located the correct format and will submit it upon completion.*
- 3.3 *The semiannual financial statement will be prepared and made available to the public in July 2012.*
- 3.4 *We are in the process of preparing an annual financial report to be submitted to the State Auditor as soon as it is completed.*

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## 4. Street Work

The city does not have a formal bidding policy and did not bid for street repair services. The city paid several local individuals a total of \$18,000 in fiscal year 2011 to perform street repair services. In addition, the city did not enter into contracts with these individuals.

Formal bidding procedures for major purchases or services provide a framework for economical management of the city's resources and help ensure the city receives fair value by contracting with the lowest or best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. In addition, Section 432.070,



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City of Clarksdale  
Management Advisory Report - State Auditor's Findings

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RSMo, requires contracts of political subdivisions to be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

## Recommendation

The Board of Aldermen establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. Written contracts should be entered into when appropriate.

## Auditee's Response

*The Board of Aldermen provided the following written response:*

*We will obtain bids with specific requirements for any street work that is estimated to cost \$3,000 or over. Justification for the bid selected will be included in the monthly Board minutes. Written contracts will be obtained when appropriate.*

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# City of Clarksdale

## Organization and Statistical Information

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The City of Clarksdale is located in DeKalb County. The city was incorporated in 1886 and is currently a fourth-class city. The city employed three part-time employees on June 30, 2011.

City operations include law enforcement and water/sewer service.

### Mayor and Board of Aldermen

The city government consists of a mayor and four-member board. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other elected officials at June 30, 2011, are identified below. The mayor is paid \$25 per month and members of the board are paid \$10 per month. The compensation of these officials is established by ordinance.

Carl Sampsel, Mayor  
Lisa Burris, Alderwoman  
Gary Ross, Alderman  
Geneva Corum, Alderwoman  
Craig DeBord, Alderman

### Other Elected Officials

Name and Title	Compensation Paid for the Year Ended June 30, 2011
Cory McDonald, Marshall	\$2,700
DeAnn Hayter, Collector (1)	\$3,759
Daniel Rogers, City Clerk (2)	\$1,525
Bobbie Jo DeShon, City Clerk (3)	\$600

(1) Includes City Treasurer salary of \$1,500.

(2) City Clerk through March 2011. Salary includes \$400 as salary for 1 month as Water Commissioner.

(3) Elected City Clerk in April 2011.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Clarksdale did not receive any federal stimulus monies during the year ended June 30, 2011.

### Financial Activity

A summary of the city's financial activity for the year ended June 30, 2011, follows:



City of Clarksdale  
Year Ended June 30, 2011

		Fund						
		General	Water	Sewer	Streets	Debt Service	Meter Deposits	Total
RECEIPTS								
Property tax	\$	17,157	0	15,786	1,440	0	0	34,383
Motor fuel and vehicle fees		1,167	0	0	12,311	0	0	13,478
Franchise tax		0	0	0	9,069	0	0	9,069
Service fees		42,073	4,000	33,527	0	0	1,600	81,200
Interest		168	576	223	158	140	0	1,265
Other		3,080	0	0	400	0	0	3,480
Total Receipts		63,645	4,576	49,536	23,378	140	1,600	142,875
DISBURSEMENTS								
Salaries		14,237	0	9,131	344	0	0	23,712
Debt service		0	0	27,283	0	0	0	27,283
Water		31,296	0	0	0	0	0	31,296
Operations		18,404	33,867	3,901	42,162	0	639	98,973
Total Disbursements		63,937	33,867	40,315	42,506	0	639	181,264
RECEIPTS OVER (UNDER) DISBURSEMENTS		(292)	(29,291)	9,221	(19,128)	140	961	(38,389)
CASH, JULY 1, 2010		14,902	69,600	31,963	45,596	17,782	3,277	183,120
CASH, JUNE 30, 2011		\$ 14,610	40,309	41,184	26,468	17,922	4,238	144,731



**Thomas A. Schweich**  
Missouri State Auditor

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# Truman Road Transportation Development District



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August 2012

Report No. 2012-79

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Truman Road Transportation Development District

### Board of Directors

The Truman Road Transportation Development District (TDD) does not have an active board of directors and the TDD project is inactive. The TDD has not prepared budgets or filed financial statements, and it appears there have been no Board meetings since 2006. The funeral home, which was the primary source of TDD sales tax revenues, ceased operations in July 2010. Current TDD property owners have appointed a company to manage the TDD properties. If the TDD properties will not generate revenues and it is not possible to complete the TDD project, the owners should consider seeking to abolish the TDD.

Pursuant to Section 105.148.8, RSMo, the district may be subject to a maximum fine of \$640,000 through June 30, 2012, for failing to timely file its annual financial statements, but the law does not establish the agency responsible for assessment and collection authority for these fines.

In the areas audited, the overall performance of this entity was **Poor\***

### American Recovery and Reinvestment Act (Federal Stimulus)

The Truman Road Transportation Development District did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Truman Road Transportation Development District

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Property Owners  
Truman Road Transportation Development District  
Independence, MO

We have audited certain operations of the Truman Road Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included interviewing certain external parties and reviewing bank account information. We performed procedures to obtain an understanding of internal controls that are significant within the context of the audit objectives. However, there were no district personnel and no transactions occurred during the audit period. In addition, the funeral services company managing the cemetery does not have access to the district's records or the bank account. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from various sources and was not subjected to the procedures applied in our audit of the district.

No conclusions were reached regarding (1) internal controls over significant management and financial functions. For the areas audited, we identified (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Truman Road Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Gayle Garrison

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# Truman Road Transportation Development District

## Management Advisory Report

### State Auditor's Findings

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#### **Board of Directors**

The Truman Road Transportation Development District (TDD) does not have an active board of directors, and as a result, has not prepared budgets or filed financial statements as required by state law. The corporate property owner that established the original TDD Board of Directors also operated the TDD. The TDD property consists of a cemetery and a funeral home. According to the funeral services company, which currently manages the cemetery on behalf of the current property owners, the funeral home, which was the primary source of TDD sales tax revenues, ceased operations in July 2010, and it is not clear when it may resume operations. The funeral services company is not able to locate many of the financial or administrative records for the TDD and does not have access to the TDD bank account.

Based on discussions with a City of Independence economic development official, it appears the TDD Board met through 2006 but has not held meetings since that time. In addition, there is no indication that annual budgets were prepared for the TDD as required by Section 67.010, RSMo.

Also, annual financial statements have not been filed with the State Auditor's office (SAO) by the TDD for the 5 years ended December 31, 2011, as required by Section 105.145, RSMo. The district may be subject to a maximum fine of \$640,000 through June 30, 2012, for the late filing. However, the law does not establish the agency responsible for assessment and collection authority of these fines (see report no. 2012-13, *Transportation Development Districts*, issued in February 2012). Section 105.148.8, RSMo, states any district that fails to timely submit a copy of the annual financial statement with the SAO shall be subject to a fine not to exceed \$500 per day. 15 CSR-40.30.030 provides if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year end, while an audit report is to be filed within 6 months of the entity's fiscal year end.

#### **Recommendation**

The current Truman Road TDD property owners establish an active Board of Directors. The Board should ensure the TDD project is completed in accordance with state law and other contracts and agreements currently in force. In addition, the Board should hold meetings, adopt annual budgets, and file annual financial statements with the SAO. If it is determined the TDD properties will not generate revenues and it is not possible to complete the TDD project, the owners should consider seeking abolishment pursuant to the Missouri Development Transportation Development District Act, Sections 238.200 to 238.275, RSMo.

#### **Auditee's Response**

*The Truman Road TDD property owners declined to provide a response.*

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# Truman Road Transportation Development District

## Organization and Statistical Information

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The Truman Road Transportation Development District (TDD) is located in the City of Independence. The Truman Road TDD was organized in June 2001 by petition of the owner of the property within the proposed TDD.

The TDD has a year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of improving public transportation infrastructure with a total initial estimated cost of \$233,000. The qualified voters of the TDD approved the imposition of a sales tax of up to 1-cent (1 percent) on all transactions which are taxable within the boundaries of the district. The sales tax is currently expected to remain in effect for 40 years, unless terminated sooner. The City of Independence and the Missouri Department of Transportation (MoDOT) are the public entities with jurisdiction over this project. A city official indicated that project construction has not started, and a MoDOT official indicated the project has not been approved by the Missouri Highways and Transportation Commission. If the project is approved, the Commission will accept dedication of the project upon completion. There is no active TDD Board of Directors and the TDD project is inactive. The current property owners have appointed a company to manage the TDD properties.

The TDD is located within a Tax Increment Financing (TIF) redevelopment area; however, per a formal agreement, the city has allowed the district to retain the TIF portion of sales tax collections to pay for the TDD's transportation project.

### District Board

An elected board usually acts as the policy-making body for a transportation development district's operations. However, there is no functioning board.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Truman Road Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.





Truman Road Transportation Development District  
Organization and Statistical Information

Financial Activity

A summary of the district's bank account activity for the 2 years ended December 31, 2011, follows:

	Year Ended December 31,	
	2011	2010
Receipts:		
Interest	\$ 4	3
Total Receipts	4	3
Disbursements:		
Total Disbursements	0	0
Receipts Over (Under) Disbursements	4	3
Beginning Cash Balance	37,009	37,006
Ending Cash Balance	\$ 37,013	37,009



Thomas A. Schweich  
Missouri State Auditor

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# Fortieth Judicial Circuit

## City of Diamond Municipal Division



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August 2012

Report No. 2012-78

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Fortieth Judicial Circuit, City of Diamond Municipal Division

Accounting Controls and Procedures	Cash receipts totaling \$207 were not deposited. The municipal division did not properly complete some credit card transactions, and \$400 of these were denied when the municipal division tried to process them in November 2011. Monies and credit card transactions were often deposited into the wrong city bank account, and receipts were not deposited intact and timely. Some fines, court costs, and bonds were not posted to the computer system resulting in inaccurate monthly reports and incorrect amounts paid to the city and the state. Prior to August 2011, bonds were deposited into the city's General Fund, but a bond balance was not reconciled to court records, and the municipal division did not properly post all bonds to the computer system. Accounting duties are not adequately segregated, and a reconciliation of receipts to deposits is not performed by someone independent of the cash custody and record keeping functions.
Municipal Division Procedures	Court records are not maintained in an orderly fashion and some could not be located. The Court Clerk does not file a monthly list of all cases heard with the city. The court did not timely submit the monthly summary reports or the state's portion of Crime Victims' Compensation and Peace Officer Standards and Training fees. Restitution amounts for alcohol or drug related offenses are not supported by a court approved schedule, and neither the city Police Department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

In the areas audited, the overall performance of this entity was **Poor**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Fortieth Judicial Circuit, City of Diamond Municipal Division, did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Fortieth Judicial Circuit

## City of Diamond Municipal Division

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge  
Fortieth Judicial Circuit  
and  
Municipal Judge  
Diamond, Missouri

We have audited certain operations of the City of Diamond Municipal Division of the Fortieth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Diamond Municipal Division of the Fortieth Judicial Circuit.

A petition audit of the City of Diamond, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Candace Copley
Audit Staff:	Michelle Crawford, M.Acct.

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# Fortieth Judicial Circuit

## City of Diamond Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Accounting Controls and Procedures**

Significant weaknesses were identified with depositing and recording municipal division monies, and there is not an adequate segregation of duties. Cash receipts totaling \$207 were not deposited.

The City Collector is primarily responsible for receiving and depositing court monies, and the Court Clerk is responsible for posting information from the City Collector's receipt slips into the municipal division's computer system. Additionally, some cash bonds were collected by the police department and transmitted to the City Collector.

Prior to August 2011, municipal division monies were deposited into the city's General Fund and court activity was posted to the municipal division Summit computerized system. In August 2011, the municipal division converted to the Justice Information System (JIS), the Missouri courts automated case management system, and a separate bank account was opened for municipal division monies. The former Court Clerk resigned in September 2011 and the former Chief of Police resigned in July 2011. The former City Collector was appointed as Court Clerk in September 2011 and resigned in April 2012.

##### **1.1 Depositing procedures**

Procedures are not in place to ensure all municipal division monies received are deposited, and some cash receipts were not deposited. Additionally, deposits were often made into the wrong bank account and were not made timely or intact, and the composition of receipt slips was not reconciled to the composition of deposits. The municipal division accepts cash, checks, money orders, and credit card payments for fines, courts costs, and bonds.

- Cash receipts totaling \$207 received in April 2011 (\$130) and June 2011 (\$77) could not be traced to a deposit. Municipal division receipt slips number 1390 through 1406 indicate \$521 was received in cash between April 26 and May 3, 2011; however, only \$391 in cash was deposited on May 3, 2011 into the city's bank account. Also, receipt slip number 1451 issued on June 14, 2011, for \$77 cash was not deposited.
- One \$200 credit card payment receipted in April 2011 was not deposited to the city bank account, and several credit card payment transactions totaling \$1,129 received by the Police Department in September 2011 were not properly completed and deposited. After this was brought to the municipal division's attention by the city's accounting firm, the Court Clerk determined the city had failed to perform the required procedures to complete the credit card transactions. When the municipal division attempted to process these transactions again in November 2011, the \$200 credit card payment from April 2011 and a \$200 credit card payment from September 2011 was denied.



Fortieth Judicial Circuit  
City of Diamond Municipal Division  
Management Advisory Report - State Auditor's Findings

- Municipal division monies were often incorrectly deposited into the city water and sewer bank account. For example, receipts totaling \$1,720 were incorrectly deposited into the water and sewer bank account in September and October 2010. Additionally, municipal division credit card transactions were occasionally processed to the wrong city bank account. Numerous adjustments were made quarterly to city bank accounts to correct these errors.
- Municipal division receipts are not deposited intact and timely. For example, a check for \$129 received on April 5, 2011, was not deposited until April 26, 2011, even though five deposits were made between these dates.

Reconciling receipt slip amounts and composition to deposits, and depositing all monies timely help ensure all receipts are accounted for properly.

## 1.2 Recording procedures

Some fines, court costs, and bonds were not posted to the Summit computer system. During April 2011, fines and court costs totaling \$704 received and deposited were not posted to the Summit system. Instances were identified where tickets entered into the system had no recorded receipt information but manual receipt slips showed the case was paid. Additionally, numerous instances were noted where bonds received were not posted to the system until the bond was applied to fines and costs or refunded several months later. (See section 1.3.)

Correspondence in court files indicates the former Court Clerk was asked by the Office of State Courts Administrator (OSCA) to revise monthly Municipal Division Summary Reporting Forms for the periods January 2009 through June 2010 because of errors. We compared these revised reports, which were generated from the Summit computer system in July 2010, to information the Court Clerk generated for us from the system in January 2012. Our comparison noted additional receipt activity had been posted after the revised reports were submitted to the OSCA on July 13, 2010. For example, the revised June 2010 Municipal Division Summary Reporting Form reported fines and costs collected totaled \$3,073, but the data generated in January 2012 indicates additional payments of \$2,424 were recorded in the computer system after the revised report was generated. Transactions for 12 cases were entered after the revised report was generated. Differences identified in other months during January 2009 through June 2010 ranged from \$50 to \$200.

While these additional fines, court costs and bonds collected appear to have been deposited into the city's account, the failure to post some transactions and the untimely posting of other transactions to the computer system have resulted in incomplete computerized case records, inaccurate monthly





Fortieth Judicial Circuit  
City of Diamond Municipal Division  
Management Advisory Report - State Auditor's Findings

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reports, and incorrect amounts distributed to state and city funds. In August 2011, the municipal division converted to the JIS computer system which does not allow activity to be posted in prior periods.

To ensure computerized case activity is accurately maintained and amounts disbursed to the state and city funds are correct, amounts received and deposited should be reconciled to amounts posted to the computer system, and for periods prior to August 2011, the municipal division should compare reports filed with OSCA to amounts collected, to determine if additional costs not previously reported are due.

### 1.3 Bond liabilities

Bonds received prior to August 2011 were deposited into the city's General Fund, but a balance of bond monies held by the city was not maintained and reconciled to the municipal division's outstanding bond list. Additionally, bonds received were not always correctly posted to the Summit computer system, and as a result, the list of outstanding bonds generated was not always accurate.

In August 2011, the municipal division converted to the JIS and opened a separate bank account for municipal division monies, including bonds. However, the municipal division has not reviewed all bonds collected prior to August 2011 to ensure these bonds were properly applied toward fines and costs, refunded, or entered into the JIS as still outstanding.

- Two \$130 bonds were manually receipted and deposited into the city's bank account by the City Collector in July 2010; however, each of these two bonds was recorded at only \$23 in the Summit computer system.
- A \$250 bond was received on August 4, 2011, but was recorded in the Summit computer system as \$123 received on August 23, 2011. According to manual case records fines and costs of \$160 were due. Because of the conflicting amounts recorded, the current Court Clerk did not process a \$90 bond refund until January 31, 2012.
- A \$380 check for a bond refund was issued by the city in April 2011; however, the refund was not posted to the Summit computer system and, as a result, the \$380 was still on the municipal division's outstanding bond report.
- A \$450 bond received and deposited was subsequently refunded by the city but there is no evidence the bond was recorded in the Summit computer system.

To ensure bond monies are appropriately disbursed as provided by state law, procedures should be undertaken to review bonds collected prior to August 2011 to identify any additional outstanding bonds and transfer case



Fortieth Judicial Circuit  
City of Diamond Municipal Division  
Management Advisory Report - State Auditor's Findings

information to the JIS. Bond monies should be transferred to the municipal division bond account for proper disbursement.

## 1.4 Segregation of duties

No one independent of the cash custody and record keeping functions reconciles recorded receipts to deposits. While the city contracted with an accounting firm in September 2011 to perform bank reconciliations, issue checks, and prepare financial statements for the city (including the municipal division); receipt records are not reviewed to ensure all monies are deposited. Our audit identified numerous discrepancies between amounts received and amounts recorded in the municipal division computer system. (See sections 1.1 and 1.2.) Additionally, this lack of segregation and oversight allowed \$207 in undeposited municipal division cash receipts to go undetected.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, at a minimum, there should be a documented independent review of the municipal division transactions.

## Recommendations

The City of Diamond Municipal Division:

- 1.1 Reconcile receipt slips to the amount and composition of deposits and deposit monies timely and intact. Additionally, the municipal division should follow up on the undeposited cash and credit card receipts and attempt to recover these funds.
- 1.2 Reconcile amounts received and deposited to amounts posted to the computer system. For periods prior to August 2011 the municipal division should compare reports filed with OSCA to amounts collected and determine if additional fees are due to the state and city funds.
- 1.3 Review bonds collected prior to August 2011 and identify any additional outstanding bonds and transfer case information to the JIS. Bond monies should be transferred to the municipal division bond account for proper disbursement.
- 1.4 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

## Auditee's Response

*The Municipal Judge provided the following written responses:*

- 1.1 *With the implementation of JIS, we are now reconciling receipt slips to court deposits and depositing timely and intact. We will*



Fortieth Judicial Circuit  
City of Diamond Municipal Division  
Management Advisory Report - State Auditor's Findings

*investigate the \$207 in undeposited cash and make contact with the individuals whose credit card payments have been denied.*

- 1.2 *Upon implementing the JIS court accounting system all amounts received are recorded and reconciled to deposits daily. We will review the large difference identified in the June 2010 court report and amend if necessary. The Court Clerk will review the small differences identified in other monthly court reports filed prior to August 2011 as time allows.*
- 1.3 *Several cases have already been identified and subsequently entered into the JIS accounting system for proper disposition. Procedures have been established to enter any additional outstanding bonds that are identified into the current accounting system and transfer monies to the court account as cases are identified.*
- 1.4 *Procedures are now in place for the City Clerk to review receipts collected and deposited by the Court Clerk daily.*

## **2. Municipal Division Procedures**

Improvement is needed to maintain an organized filing system of municipal division records. Additionally, the municipal division has not prepared and filed with the city a list of cases heard each month as required by state law, court costs were not remitted to the state in a timely manner, and restitution amounts are not supported by a court approved schedule. Further, improvement is needed in accounting for traffic ticket numbers.

### **2.1 Organization of records**

Some court records are filed in general disarray and municipal division personnel had difficulty locating some records and could not locate four requested case files. Since some case files could not be reviewed, we could not determine if the disposition of those tickets were properly reflected in the municipal division records.

Organization and retention of municipal division records is necessary to properly account for all case activity and financial transactions. Additionally, Supreme Court Operating Rules require all financial records be maintained for 5 years or until completion of an audit.

### **2.2 Report of cases heard**

The monthly report filed with the city does not include a list of all cases heard. The former Court Clerk prepared a report indicating the number of new cases and court revenues received, and the Court Clerk's monthly reports generated from the Summit system were not always complete and accurate. (See MAR finding number 1.) While converting to the JIS, the Court Clerk discontinued filing reports with the city. Without complete and accurate reports, the city cannot effectively monitor municipal division activity.



Fortieth Judicial Circuit  
City of Diamond Municipal Division  
Management Advisory Report - State Auditor's Findings

Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.

## 2.3 Untimely disbursements

The state's portion of Crime Victim's Compensation (CVC) and Peace Officer Standards and Training (POST) fees collected by the municipal division along with the monthly summary reports were not submitted in a timely manner. For example, reports for March, April, and May 2010 were not submitted until notification was received from OSCA indicating the reports were 3 months late, and fees collected in May 2011 were not disbursed until July 26, 2011.

Supreme Court Operating Rules provide that state court costs collected by the municipal division should be disbursed to the state on a monthly basis, and require the submission of monthly reports detailing municipal division activity on or before the 15th of the following month.

## 2.4 Restitution amounts

Restitution amounts imposed by the court for defendants involved in alcohol or drug related offenses are not supported by a court approved schedule. Restitution amounts ordered by the court range from \$50 to \$162 per applicable case.

Section 488.5334, RSMo, allows for the reimbursement of reasonable costs associated with any chemical test required in addition to those costs associated with processing, charging, booking, and holding such persons in custody. The city's municipal code requires the Chief of Police to establish and submit for approval a schedule of processing costs to the Municipal Judge.

## 2.5 Ticket accountability

Neither the city Police Department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

Computerized municipal division records track the ticket numbers issued by the Police Department; however, the Court Clerk does not ensure each ticket number is entered into the system. Our review identified instances where ticket numbers were not in the system and an instance where one ticket number was entered twice. The Police Department tracks the ticket book numbers assigned to each officer on a log; however, individual tickets issued are not tracked.

Without proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the Police Department cannot be assured all tickets issued are properly submitted for processing.



Fortieth Judicial Circuit  
City of Diamond Municipal Division  
Management Advisory Report - State Auditor's Findings

## Recommendations

The City of Diamond Municipal Division:

- 2.1 Ensure municipal division records are organized efficiently and appropriately retained.
- 2.2 Ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.
- 2.3 Disburse court monies and file monthly reports timely.
- 2.4 Work with the Chief of Police to establish a schedule of processing costs for restitution collections in accordance with city code.
- 2.5 Work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

## Auditee's Response

*The Municipal Judge provided the following written responses:*

- 2.1 *An adequate filing system has now been implemented.*
- 2.2 *The court is currently working with OSCA on how to prepare a monthly report through JIS that contains the proper information to provide to the Board of Aldermen.*
- 2.3 *Reports are filed and court fees are now disbursed monthly.*
- 2.4 *We will work with the Chief of Police to establish a fee schedule for restitution amounts charged.*
- 2.5 *The court receives two copies of the ticket. One copy is placed in a defendant's file and the other copy is now being filed numerically to account for ticket numbers. We will continue to work with the Police Department to account for the disposition of all tickets issued.*

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# Fortieth Judicial Circuit

## City of Diamond Municipal Division

### Organization and Statistical Information

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The City of Diamond Municipal Division is in the Fortieth Judicial Circuit, which consists of Newton and McDonald Counties. The Honorable Timothy W. Perigo serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At June 30, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Steven White
Court Clerk	Teresa Setser

#### Financial and Caseload Information

	Year Ended June 30, 2011
Receipts	\$61,007
Number of cases filed	408

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Diamond Municipal Division did not receive any federal stimulus monies during the year ended June 30, 2011.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Village of Riverview



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July 2012

Report No. 2012-77

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<http://auditor.mo.gov>

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Village of Riverview  
Follow-Up Report on Audit Findings  
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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Honorable Chairperson  
and  
Members of the Board of Trustees  
Village of Riverview, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2011-122, *Village of Riverview*, issued in December 2011, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the village about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the village, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we discussed the status of significant findings with relevant village officials and discussed any corrective action taken regarding our audit findings. Some of the documentation reviewed included monthly financial reports, the 2012 budget, the expenditure register, fuel invoices, time studies, payroll registers, time sheets, and board meeting minutes. This report is a summary of the results of this follow-up work, which was substantially completed during April 2012.

Thomas A. Schweich  
State Auditor

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# Village of Riverview

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Financial Condition, Reports, and Budgets	The financial condition of the General Fund was poor and needed to be addressed. In addition, village monthly financial reports and budgets needed improvement.
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1.1 Financial Condition	The financial condition of the General Fund was weak and was not expected to improve during the year ended December 31, 2011. To help improve the financial condition of the General Fund, several transfers from restricted funds were made to the General Fund. Some of these transfers were not adequately supported or proper.
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The General Fund bank account was charged 12 times with overdraft fees. The Village Clerk transferred monies from the Capital Improvements Fund to the General Fund to cover cash flow shortages. The Village Clerk transferred some monies back to the Capital Improvements Fund when the monies were no longer needed; however, the General Fund owed the Capital Improvements Fund \$70,000 as of December 31, 2010.

Recommendation	The Board of Trustees closely monitor the financial condition of the village and take the necessary steps to improve the financial condition of village funds. The Board should also perform long-term planning and ensure receipts are maximized, expenditures are closely monitored, and overdraft fees are eliminated.
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Status	<p><b>In Progress</b></p> <p>Village officials are closely monitoring the financial condition of the village. The Board has approved a \$1 million General Fund expenditure budget and is reviewing monthly financial statements to ensure actual expenditures stay within the budget. Village officials indicated they are also working on building an adequate reserve fund balance by staying within budget and making spending adjustments when revenues are less than anticipated. In addition, the village has not been charged any overdraft fees in 2012.</p>
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1.2 Treasurer's Report	The Board of Trustees received and reviewed a detailed monthly financial report, but portions of the reports were not correct.
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Recommendation	The Board of Trustees ensure the monthly financial report is accurate and complete.
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Status	<p><b>Implemented</b></p> <p>The Village Clerk now generates monthly reports from the village accounting system instead of preparing the reports manually. The monthly reports are provided to the Board of Trustees to review. To ensure accuracy, village officials compare the reconciled bank balances to the monthly reports.</p>
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Village of Riverview  
Follow-up Report on Prior Audit Findings  
Status of Findings

### 1.3 Budgets

Village budgets were not complete and some were misstated.

- The 2010 budget did not contain beginning and ending cash balances. The 2011 budget included actual 2010 beginning and ending cash balances for funds; however, the balances shown did not agree with reconciled bank balances. The actual ending 2010 balance of the General Fund was understated by \$39,654 and the Capital Improvements Fund was understated by \$285,827 on the budgets.
- The 2011 budget did not contain a budget message.
- On the 2011 budget, some transfers between funds were shown on the budget of only one of the funds. In 2009, the village budgeted to transfer \$12,500 from the Sewer Lateral Fund to the General Fund; however, this was only reflected on the budget for the Sewer Lateral Fund.

#### Recommendation

The Board of Trustees ensure budgets comply with state law and reflect accurate information.

#### Status

##### **Implemented**

The 2012 budget was mathematically correct, listed transfers correctly, included a correct summary of cash, and contained a budget message.

### 2.1 Bidding

Bids were not obtained for some items costing over \$5,000, in violation of Village Code Section 130.060.

#### Recommendation

The Board of Trustees ensure bids are solicited for all applicable purchases in accordance with village code.

#### Status

##### **In Progress**

The village has not made any additional purchases over \$5,000, as of March 31, 2012. Village officials indicated they plan to advertise for bids on any items greater than \$5,000.

### 2.2 Fuel

The village did not have controls in place to ensure fuel purchases for law enforcement were reasonable. Law enforcement officers purchased gasoline for village-owned vehicles using fuel cards and entered the odometer readings during fueling; however, we noted several readings were entered incorrectly. The Police Chief indicated he reviewed fuel statements for reasonableness prior to submitting them to the Village Clerk for payment; however, his review was not documented. Also, there was no documentation to show the incorrect odometer readings were noted or investigated.



Village of Riverview  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Recommendation**

The Board of Trustees adopt procedures to reconcile fuel purchased to fuel used and review fuel use for reasonableness.

**Status**

**Implemented**

The Police Chief provided two detailed invoices that documented his review of the monthly fuel invoices. The invoices included the gallons purchased for each car, the miles per gallon used by each car, and the cost of fuel per mile. If an odometer reading appears incorrect, the Police Chief will observe the actual odometer reading and add it to the invoice, with a note detailing the discrepancy.

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**3. Restricted Funds**

The village had not established adequate procedures to ensure restricted monies were disbursed only for intended purposes.

**3.1 Capital Improvements Fund**

Some allocations of expenses and salaries and fringe benefits of public works employees to the Capital Improvements Fund and transfers from that fund were not reasonable, supported by adequate documentation, or approved by the Board of Trustees. At December 31, 2010, the General Fund owed \$70,000 to the Capital Improvements Fund for transfers that were not repaid to the Capital Improvements Fund.

**Recommendation**

The Board of Trustees ensure expenditures and salaries allocated to the applicable village funds are supported by adequate documentation, properly approved and comply with state law.

**Status**

**Partially implemented**

The village performed a time study in February 2012 of public works employees to determine the amount of time the employees spend on capital improvements, and plans to perform another time study during the summer. Allocations of salaries will be made accordingly after the second study is complete. Time studies will be maintained as backup documentation for the allocation. The village has not transferred the \$70,000 from the General Fund back to the Capital Improvements Fund.

**3.2 Streets Fund**

Motor vehicle-related fees and road and bridge taxes were not accounted for separately to show compliance with restrictions established by state law. In addition, the village had not prepared or submitted a "Road and Bridge Tax Disbursement Affidavit" to St. Louis County each year as required by state law.

**Recommendation**

The Board of Trustees determine the amount of restricted monies in the General Fund and establish separate funds or a separate accounting of these monies as required by state law. In addition, the Board should file an affidavit of road and bridge expenditures.



Village of Riverview  
Follow-up Report on Prior Audit Findings  
Status of Findings

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Status

**Partially implemented**

The village has started maintaining the motor vehicle-related fees and road and bridge taxes separately as a line item in the General Fund, but did not determine the amount of restricted monies in the General Fund and transfer those funds to that line item. The village did file the required affidavit with St. Louis County.

3.3 Sewer Lateral Fund

The village did not have supporting documentation for administrative transfers made from the Sewer Lateral Fund to the General Fund, which appeared excessive.

Recommendation

The Board of Trustees ensure all transfers between funds are adequately supported and reasonable.

Status

**In Progress**

The village is performing a time study of employee hours spent on work performed for the Sewer Lateral Fund. Allocations of employee salaries will be made accordingly after the study is complete.

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4.1 Board Approval

There was a lack of segregation of duties for payroll procedures. The Village Clerk received employee timecards or department summaries of timecards every 2 weeks and posted hours worked to the contracted payroll system for processing. There was no independent review of the payroll register or payroll expenditures.

Recommendation

The Board of Trustees review and approve all payroll registers.

Status

**Implemented**

The Board now reviews and signs off on the payroll register.

4.2 Time Summaries

Police Department time summaries were not adequately supported by signed time records reporting all hours worked. Instead the employee work schedule was used to prepare the summary.

Recommendation

The Board of Trustees require employees to prepare and submit time records for actual hours worked, which are signed by the employee, approved and signed by the applicable supervisor, and filed with the Village Clerk.

Status

**Implemented**

Police Department employees prepare individual time sheets that are signed by the employees and the Police Chief and filed with the Village Clerk. We



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Village of Riverview  
Follow-up Report on Prior Audit Findings  
Status of Findings

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also reviewed time sheets for other village employees that were signed by the employees and the applicable supervisor.

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## 5.1 Closed Meetings

From January 2010 through April 2011, the village did not document the reasons or the vote regarding meeting closure for 3 of the 12 closed meetings.

## Recommendation

The Board of Trustees ensure meeting minutes specifically document the reasons and vote for going into closed session.

## Status

### **Implemented**

The Village Clerk provided a copy of the February 23, 2012, meeting minutes. The minutes documented the reason and votes for closing the meeting. As of April 30, 2012, this is the only closed meeting held since our audit report was issued.



Thomas A. Schweich  
Missouri State Auditor

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# Glenwood-Watson Transportation Development District



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July 2012

Report No. 2012-76

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Glenwood-Watson Transportation Development District

Comments	The Glenwood-Watson Transportation Development District (TDD) was created in 2005 and is located in the City of Crestwood. The qualified voters of the TDD, in this case the property owners, approved a 1-cent sales tax on all taxable transactions within the TDD. The TDD was formed for the purpose of constructing a new driving lane from Watson Road to serve as the western entrance to commercial development. The project was completed in October 2006. The TDD is located within a Tax Increment Financing (TIF) area. The TDD agreed to pay debt service costs on the portion of bonds issued by the TIF used to pay for the transportation project.
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In the areas audited, the overall performance of this entity was **Excellent**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Glenwood-Watson Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



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# Glenwood-Watson Transportation Development District

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Gary J. Grewe, Chairman  
and  
Board of Directors  
Glenwood-Watson Transportation Development District  
Crestwood, Missouri

We have audited certain operations of the Glenwood-Watson Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The district engaged Diel & Forguson, L.L.C. Certified Public Accountants (CPA), to audit the district's financial statements for the years ended December 31, 2011 and 2010. To minimize duplication of effort, we reviewed the report and working papers of the CPA firm for the year ended December 31, 2010, and the substantiating working papers for the year ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Glenwood-Watson Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and the middle initial "A" in the center.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Christina Davis
Audit Staff:	Katie Twiehaus

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# Glenwood-Watson Transportation Development District

## Organization and Statistical Information

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The Glenwood-Watson Transportation Development District (TDD) is located in the City of Crestwood. The TDD was organized in July 2005 by petition of the property owners within the proposed TDD.

The qualified voters of the TDD, in this case the property owners, approved the imposition of a sales tax of 1-cent (1 percent) on all transactions which are taxable within the boundaries of the district. The Board of Directors subsequently passed a resolution that set the sales tax rate at 1-cent (1 percent) for 23 years. The TDD has a fiscal year end of December 31.

The TDD was formed for the purpose of constructing a new driving lane from Watson Road to serve as the western entrance to commercial development. The City of Crestwood is the public entity with jurisdiction over the project. The project was completed in October 2006 and the city accepted dedication of the project upon completion.

The TDD is located within a Tax Increment Financing (TIF) area. The City of Crestwood issued TIF bonds of \$2.35 million in 2005 to finance the TDD project and other TIF projects. The TDD agreed to pay the debt service costs on the portion of the TIF bonds used for the transportation project, with the TDD's revenue limit set at 14.8936 percent of the TIF debt service costs.

### District Board

An elected board acts as the policy-making body for the TDD's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were

Gary J. Grewe, Chairman & Executive Director  
Jeff Schlink, Vice Chairmann  
William Appelbaum, Secretary & Treasurer  
Tina Flowers, Member  
Jim Eckrich, Member

### Selected Information on the District

TDD Portion of Estimated Project Costs	\$350,000
Estimated TDD Duration	23 years
Total Estimated Sales Tax Revenues	\$1.95 million
Sales Tax Rate	1 percent
TDD is within a TIF District?	Yes



Glenwood-Watson Transportation Development District  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Glenwood-Watson Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



**Thomas A. Schweich**  
Missouri State Auditor

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# Douglas Square Transportation Development District



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**July 2012**

**Report No. 2012-75**

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**<http://auditor.mo.gov>**



# CITIZENS SUMMARY

## Findings in the audit of the Douglas Square Transportation Development District

Supervision	The Douglas Square Transportation Development District (TDD) Board does not review and approve loan payments or bank reconciliations. Financial transactions and bank account reconciliations are prepared by a contracted service provider, and without adequate reviews the Board cannot ensure the TDD's financial transactions are proper.
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In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Douglas Square Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Douglas Square Transportation Development District

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Fred Delibero, Chairman  
and  
Board of Directors  
Douglas Square Transportation Development District  
Kansas City, Missouri

We have audited certain operations of the Douglas Square Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Douglas Square Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Wayne Kauffman, MBA

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# Douglas Square Transportation Development District

## Management Advisory Report

### State Auditor's Findings

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#### **Supervision**

The Douglas Square Transportation Development District (TDD) Board does not review and approve loan payments or bank reconciliations.

We reviewed three loan payments totaling \$25,093 and these loan payments were not reviewed or approved by the Board. Loan payment amounts varied significantly from month to month, and one of the three payments reviewed included late payment charges. The TDD's accountant indicated the TDD had experienced cash flow problems, but was currently paying the loan payments in full when due. In addition, the Board Chairman indicated bank reconciliations are not reviewed and approved by the Board.

Financial transactions and bank account reconciliations are prepared by a contracted service provider. Without adequate reviews of financial documents, the Board has little assurance TDD financial transactions are proper.

#### **Recommendation**

The TDD Board review and approve loan payments and bank reconciliations.

#### **Auditee's Response**

*The TDD Board provided the following written response:*

*The District's board of directors authorized the loan in 2002 and a modification in 2004, and the District's approved annual budgets include line items for interest and principal payments in connection with the loan. In response to the State Auditor's findings, the District's Chairman will review and approve monthly loan payments and bank reconciliations. In addition, the District notes that the vacant director position has been filled for 2012.*

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# Douglas Square Transportation Development District

## Organization and Statistical Information

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The Douglas Square Transportation Development District (TDD) is located in the City of Lee's Summit. The Douglas Square TDD was organized in September 2000 by petition of the four owners of property within the proposed TDD. The retail establishments located within the TDD collect and remit the TDD sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR distributes the monies to the TDD.

The TDD has a year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of improving public transportation infrastructure with a total estimated cost of \$450,000. The City of Lee's Summit is the public entity with jurisdiction over this project. The project was completed in 2002, and the city accepted dedication of the project upon completion.

In February 2003, the TDD authorized adoption of additional public transportation infrastructure projects of the nearby Douglas Station TDD which had a total estimated cost of \$1.5 million. The Douglas Square TDD subsequently began transferring monies to the Douglas Station TDD and has transferred \$798,600 through December 31, 2011.

### District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were:

Fred Delibero, Chairman and Executive Director  
Michael Atcheson, Member  
James Jacob Loveless, Member  
Greg Cox, Member  
One board seat is vacant

### Selected Information on the District

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Estimated Project Costs	\$450,000
Estimated TDD Duration	20 years
Total Estimated Sales Tax Revenues	\$4.321 million <sup>(1)</sup>
Sales Tax Rate	1 percent
TDD is within a TIF District?	No

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(1) The additional revenue will be used to supplement the project costs related to the Douglas Station TDD.



Douglas Square Transportation Development District  
Organization and Statistical Information

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Douglas Square Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.

Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, 2011, follows:

	Year Ended December 31,	
	2011	2010
Receipts:		
Sales taxes	\$ 160,182	138,027
Total Receipts	160,182	138,027
Disbursements:		
Debt service	49,494	49,592
Administrative	6,124	9,055
Transfer to Douglas Station TDD	91,535	105,171
Total Disbursements	147,153	163,818
Receipts Over (Under) Disbursements	13,029	(25,791)
Beginning Cash Balance	76	25,867
Ending Cash Balance	\$ 13,105	76



Thomas A. Schweich  
Missouri State Auditor

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# Sixteenth Judicial Circuit

## City of Buckner Municipal Division



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July 2012

Report No. 2012-74

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of the Sixteenth Judicial Circuit, City of Buckner Municipal Division

Bond Controls and Procedures	The city does not perform complete and timely bank reconciliations for the bond account. When the September 2011 bank reconciliation was completed the book balance exceeded the adjusted bank balance by \$2,063. Reasons for this difference were not investigated and in January 2012 the city adjusted the bond account book balance for that amount. Lists of liabilities are not prepared and compared to the reconciled balance of the bond account. At our request, the Court Administrator prepared a list of open bonds as of January 31, 2012, and the reconciled bond account balance exceeded identified liabilities by \$22,155. Bond forms are not issued numerically, and the Court Administrator does not account for the numerical sequence of bond forms received, which increases the risk of loss, theft, or misuse of bond monies.
Receipting Controls and Procedures	Accounting duties are not adequately segregated. The Court Administrator performs all duties related to the collection of fines, costs, and bonds, and neither the Municipal Judge nor other city officials provide adequate supervision or review of the Court Administrator's work. Municipal court receipts are not deposited timely or intact. During a cash count, auditors identified \$24,467 of undeposited monies on hand, including \$14,566 in cash, representing 28 days of receipts. In addition, receipt slips are not always issued immediately, and checks and money orders are not restrictively endorsed immediately upon receipt.
Ticket Controls and Procedures	Neither the Prosecuting Attorney nor the Municipal Judge adequately oversees or documents their approval of amendments to traffic tickets, making it difficult to ensure that tickets and related monies are handled properly.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

The Sixteenth Judicial Circuit, City of Buckner Municipal Division did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**



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# Sixteenth Judicial Circuit

## City of Buckner Municipal Division

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Presiding Judge  
Sixteenth Judicial Circuit  
and  
Municipal Judge  
Buckner, Missouri

We have audited certain operations of the City of Buckner Municipal Division of the Sixteenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2011. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls and (2) no significant noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Buckner Municipal Division of the Sixteenth Judicial Circuit.

A petition audit of the City of Buckner, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Assistant Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.

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# Sixteenth Judicial Circuit

## City of Buckner Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Bond Controls and Procedures**

Bond controls and procedures are in need of improvement.

##### **1.1 Bank reconciliations**

Bank reconciliations for the bond account, which are performed by the city, are not complete and timely. The September 2011 bank reconciliation showed the book balance exceeded the adjusted bank balance by \$2,063. Reasons for this difference were not investigated and an adjusting entry for that amount was made in January 2012 by the city to reduce the bond account book balance. Neither the court nor the city had documentation to support the adjusting entry. Had bank reconciliations been performed timely, it is more likely the court would have been able to identify the individual transactions which caused the account to be out of balance.

Monthly bank reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and errors or discrepancies are detected and corrected on a timely basis. Complete documentation of the reconciliations, and any adjusting entries, should be maintained to support conclusions and corrections, and to facilitate independent reviews.

##### **1.2 Liabilities list**

Lists of liabilities are not prepared and compared to the reconciled balance of the bond account. At our request, the Court Administrator prepared a list of open bonds as of January 31, 2012. The reconciled bond account balance at that date was \$32,680, while liabilities identified were only \$10,525, or a difference of \$22,155.

A monthly list of liabilities should be prepared and reviewed to ensure all bond dispositions have been properly recorded. In addition, monthly reconciliations between the open bonds maintained by the court and the bonds held in the bond bank account are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities.

##### **1.3 Bond procedures**

There is no procedure in place to account for the numerical sequence of bond forms issued by the police department. While the Court Administrator prepares a log of all bonds received from the police department, bond forms are not issued numerically, and she does not account for the numerical sequence of bond forms received. The police department does not maintain a bond log. During our review, we identified a \$150 cash bond paid by credit card on September 15, 2011, through the police department which was not transferred to the bond account until January 18, 2012. The bond form related to this bond was not transmitted to the Court Administrator, who would normally request the city transfer the bond from the city operating account to the bond account. This went undetected due to the lack of accountability over the bond forms.



Sixteenth Judicial Circuit  
City of Buckner Municipal Division  
Management Advisory Report - State Auditor's Findings

To reduce the risk of loss, theft, or misuse of bond monies, and to provide assurance that all bond monies are accounted for properly, procedures to account for the numerical sequence of bond forms and transmittal of all bonds to the court should be established.

## Recommendations

The City of Buckner Municipal Division:

- 1.1 Work with the city to ensure bond account bank reconciliations are performed in a timely manner. Discrepancies need to be resolved and adequate supporting documentation retained.
- 1.2 Prepare and reconcile a detailed list of liabilities to the reconciled bank balance monthly and work with the city to identify the differences.
- 1.3 Work with the police department to establish procedures to account for the numerical sequence of all bond forms issued.

## Auditee's Response

*The Municipal Judge provided the following written responses:*

- 1.1 *This recommendation has been implemented.*
- 1.2 *A list of liabilities is prepared and presented to the City Administrator monthly. The Court will work with the city to identify differences.*
- 1.3 *While this is not technically the Court's responsibility, the Court and Police Department have already established procedures and implemented the recommendation.*

## 2. Receipting Controls and Procedures

Weaknesses were identified with receipting procedures of the municipal division.

### 2.1 Segregation of duties

The Court Administrator performs all duties related to the collection of fines, costs, and bonds. Neither the Municipal Judge nor other city officials independent of the cash custody and record keeping functions provide adequate supervision or review of the work performed by the Court Administrator. The City Administrator indicated she only compares the bank deposit receipt slip to the bank statement. The composition of receipts is not reconciled to the deposit by an independent person.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation



Sixteenth Judicial Circuit  
City of Buckner Municipal Division  
Management Advisory Report - State Auditor's Findings

of duties is not possible, a documented independent review of the work performed by the Court Administrator is necessary.

## 2.2 Receipting and deposit procedures

Deposits of municipal court receipts are not made intact or on a timely basis. In addition, receipt slips are not issued immediately for some monies received, and restrictive endorsements are not made upon receipt.

During our cash count performed on January 19, 2012, we counted \$24,467 (\$21,512 in cost and fines, and \$2,955 in bonds) of undeposited monies on hand, including \$14,566 in cash, representing 28 days of receipts. While conducting the cash count, we determined the court deposited 37 checks, totaling \$4,240, on January 17, 2012, which were receipted through the violation bureau. However, the cash receipted through the violation bureau was not included in the deposit. The Court Administrator said she had deposited the checks only so defendants could see the checks had cleared their bank accounts. There were five receipts totaling \$575 that the Court Administrator indicated did not have corresponding tickets from the police department, therefore, the receipts had not been processed, and receipt slips had not been issued. Additionally, checks and money orders received by the municipal division are not restrictively endorsed until the deposit is prepared by the Court Administrator.

To reduce the possibility of loss, theft, or misuse of funds, monies received should be receipted and restrictively endorsed immediately upon receipt, and deposited intact and in a timely manner.

## Recommendations

The City of Buckner Municipal Division:

- 2.1 Ensure documented periodic reviews of municipal division records are performed by a person independent of the accounting functions.
- 2.2 Deposit receipts timely and intact, require receipt slips be issued for all monies on a timely basis, and restrictively endorse checks and money orders immediately upon receipt.

## Auditee's Response

*The Municipal Judge provided the following written responses:*

- 2.1 *The Court has worked with the city to implement this recommendation and believes such implementation has been accomplished.*
- 2.2 *This recommendation has been implemented.*

## 3. Ticket Controls and Procedures

The City Prosecuting Attorney allows the Court Administrator to use the amended ticket stamp to amend traffic tickets. The Court Administrator maintains the defective equipment stamp and amends tickets when



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Sixteenth Judicial Circuit  
City of Buckner Municipal Division  
Management Advisory Report - State Auditor's Findings

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defendants present an approved request from the Prosecuting Attorney. Neither the Prosecuting Attorney nor the Municipal Judge provide adequate oversight or document their approval of this process to ensure tickets are handled properly. Without better oversight over the disposition of tickets written, the risk of improper handling of tickets and related monies increases.

## Recommendation

The City of Buckner Municipal Division require the Prosecuting Attorney's signature on all amended tickets.

## Auditee's Response

*The Municipal Judge provided the following written response:*

*The Court will require that the Prosecuting Attorney initial all tickets that are amended via the e-mail or mail procedure that the Prosecutor has implemented.*

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# Sixteenth Judicial Circuit

## City of Buckner Municipal Division

### Organization and Statistical Information

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The City of Buckner Municipal Division is in the Sixteenth Judicial Circuit, which consists of Jackson County. The Honorable Charles Atwell serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At September 30, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Don Lograsso
Court Administrator	Michelle Guyton

#### Financial and Caseload Information

	Year Ended September 30, 2011
Receipts	\$256,620
Number of cases filed	2,774

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Buckner Municipal Division did not receive any federal stimulus monies during the year ended September 30, 2011.





Thomas A. Schweich  
Missouri State Auditor

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# ADMINISTRATION

## Information Technology Services Division



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July 2012

Report No. 2012-73

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Office of Administration, Information Technology Services Division

### Unified Communication Expenditures

The Office of Administration (OA) - Information Technology Services Division (ITSD) provides information technology (IT) services to state agencies. The legislature appropriated monies to a dedicated revolving trust fund to pay expenses and equipment for the centralized telephone system, but the ITSD used over \$2.6 million in state General Revenue Fund monies for Unified Communication (UC) system costs and lease/purchase payments. It appears the ITSD used General Revenue Fund monies to make the August 2011 UC lease payment because the dedicated revolving fund did not have a sufficient balance to cover the payment. However, the ITSD created this shortage by not including UC lease payments when estimating expenditures, so billing rates were not set high enough to cover the costs of the UC system. ITSD management stated it has no plans to reimburse the General Revenue Fund for these expenditures. Had the ITSD properly billed users, state agencies may have recovered as much as \$1.274 million in federal reimbursements. The ITSD also did not include \$2.6 million in UC system expenditures in management reports, resulting in the understatement of operating losses.

### State Data Center Equipment Lease

The ITSD created an invoice for services that were not performed and then issued a credit to reverse the transaction to prevent General Revenue Fund appropriation spending authority from lapsing. The ITSD made an advance lease payment of \$883,420 for computer equipment purchased for the State Data Center (SDC). The ITSD wanted to use \$288,000 from a General Revenue Fund appropriation to help fund the payment, so an invoice was created for SDC services which had not been performed. The advance lease payment saved the state future interest payments, but the method used was deceptive and circumvented the legislative appropriation process.

### Service Level Agreements

The ITSD does not have current agreements with state agencies the division serves, so ITSD management does not have minimum performance targets and cannot determine if the IT services it provides meet the needs and expectations of state agency customers. We noted similar conditions in audit reports released in 2009 and 2011.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	<p>During the year ended June 30, 2011, the ITSD was awarded Federal Stimulus monies of \$6,573,382, of which it spent \$71,598 for the purpose of Rural Broadband Development. Additionally, the ITSD was appropriated \$5,644,613, of which it expended \$1,944,169 to meet grant matching requirements of the Rural Broadband Development Grants. Also, the ITSD was appropriated \$7,905,226 from other state agencies' ARRA awards of which it spent \$4,077,703, to support those state agencies' business functions and computer systems.</p> <p>During the year ended June 30, 2010, the ITSD was appropriated \$34,355,387 of which it spent \$1,118,212, to meet grant matching requirements related to Rural Broadband Grants, and was appropriated \$4,107,640, of which it expended \$4,107,634, to fund general operations of the division. Also, the ITSD was appropriated \$441,541 from other state agencies' ARRA awards, all of which it expended to support those state agencies' business functions and computer systems.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Information Technology Services Division

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Douglas E. Nelson, Acting Commissioner  
Office of Administration  
and  
Tim Robyn, Acting Chief Information Officer  
Information Technology Services Division  
Jefferson City, Missouri

We have audited certain operations of the Office of Administration, Information Technology Services Division, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the division's internal controls over significant management and financial functions.
2. Evaluate the division's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Administration, Information Technology Services Division.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Jeffrey Thelen, CPA
In-Charge Auditor:	Patrick M. Pullins, M.Acct., CISA
Audit Staff:	Erica Joannes

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# Information Technology Services Division

## Management Advisory Report

### State Auditor's Findings

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#### **1. Unified Communication Expenditures**

The Office of Administration (OA) - Information Technology Services Division (ITSD) used state General Revenue Fund (GRF) monies to support the purchase, implementation, and operation of the Unified Communication (UC) system project. UC lease payments were not included in the calculations used to establish user billing rates, resulting in the potential loss of federal matching funds from unbilled costs. In addition, the ITSD has not accurately recorded all UC system expenditures, resulting in the understatement of UC system operating losses.

#### **Background**

In fiscal year 2010, the ITSD entered into a contract to upgrade the current communication systems to combine separate voice, video, and data systems to operate on an existing computer network. The UC system offers tools to enhance employee efficiency, including the capability to bring both audio and video functionality to the desktop and the addition of telepresence<sup>1</sup> rooms across the state, according to ITSD management. In addition, a significant majority of the state telecommunications infrastructure will be rebuilt. The telepresence hardware was a negotiated feature of the UC contract and was provided by the vendor at no cost to the state, according to ITSD management. According to estimates provided to the ITSD from the vendor, the UC system will result in projected cost savings of approximately \$32 million over a 10-year period. The projected savings include a reduction in costs associated with telephone equipment and related facilities, voice connectivity, employee travel, and other costs. The ITSD entered into a lease/purchase agreement with a financial services provider to obtain funding to finance the purchase of the UC system.

The ITSD provides information technology (IT) services, including telecommunication services, to users (state agencies). These services were funded through the OA Revolving Administrative Trust Fund (RATF)<sup>2</sup> and the related costs allocated and billed to users. According to state law<sup>3</sup>, the RATF "shall contain moneys transferred or paid to the Office of Administration in return for goods or services provided by the Office of Administration to any governmental entity or to the public". Billing rates for telecommunication services are established annually by ITSD management. The rates are calculated based on the estimated expenditures and usage of each identified service over the next year and are intended to cover all costs of operations. Funds collected from user billings were deposited in the

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<sup>1</sup> A component of the UC system which provides high definition video conferencing capabilities. Telepresence rooms have been installed in Jefferson City, St. Louis, and Kansas City.

<sup>2</sup> Effective in fiscal year 2012, funding for ITSD operations was moved from the OA RATF to the newly created Revolving Information Technology Trust Fund. Funding for the operations of other OA services, such as the Division of Facilities Management, Design, and Construction, and the State Printing Center remained in the OA RATF.

<sup>3</sup> Section 37.005.10 RSMo



Information Technology Services Division  
Management Advisory Report - State Auditor's Findings

RATF and used by the ITSD to pay vendors for equipment and services needed to provide telecommunication services.

## 1.1 General Revenue Fund support

During our review of the UC system procurement, we identified expenditures from the GRF in fiscal years 2011 and 2012 (through November 2011) of over \$2.6 million for lease payments and UC system operations. As shown in Table 1, the ITSD either expended monies from a GRF appropriation or initially expended funds from a RATF appropriation but subsequently authorized accounting entries to change the funding source to the GRF.

Table 1: General Revenue expenditures for the UC system

Description	Amount
Payments made from the GRF	
August 2011 Lease Payment	\$ 493,931
Payments made from the RATF and changed to the GRF	
February 2011 Lease Payment	493,931
May 2011 Lease Payment	493,931
Computer Support Services (1)	1,118,687
<b>Total General Revenue Expenditures</b>	<b>\$ 2,600,480</b>

(1) Includes five separate transactions to a single vendor ranging from \$1 to over \$465,000  
Source: SAO Review of ITSD expenditure records

The ITSD generally uses GRF for personal service expenditures, such as programming, and for expense and equipment expenditures, such as computer purchases in support of agency computer operations. According to management, the ITSD can use GRF appropriations for any IT services or equipment deemed necessary. However, prior to fiscal year 2012, the legislature specifically appropriated RATF monies to fund expense and equipment for the centralized telephone system. Therefore, it appears the intent of the legislature was to pay telecommunication expenses, including UC system costs, from the RATF, not the GRF.

Beginning in fiscal year 2012, the legislature appropriated funds from the Revolving Information Technology Trust Fund for payment of debt service related to the UC system. However, ITSD management made the August 2011 quarterly lease payment (the first scheduled payment of fiscal year 2012) from the GRF. According to ITSD management, the August 2011 lease payment was made from the GRF because the revolving fund did not have a sufficient balance to cover the payment. This shortage was caused by the ITSD not including UC lease payments in the estimated expenditure amounts used to establish user billing rates. As a result, billing rates were not set high enough to cover the total costs of the UC system. ITSD management said the ITSD has no plans to reimburse the GRF for the expenditures made to subsidize the purchase, implementation, and operation of the UC system.





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Information Technology Services Division  
Management Advisory Report - State Auditor's Findings

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Potential loss of federal  
matching funds

Based on our analysis of the \$15.8 million of user payments to the ITSD for telecommunications services in fiscal year 2011, about \$7.1 million or 49 percent were paid by user agencies from various federal funds. These agencies were then able to claim federal reimbursement for a portion of the telecommunication service charges. Since UC expenditures of \$2.6 million (\$1.274 million federal share) paid from the GRF were not billed, federal fund participation in these UC system costs did not occur. As a result, the state did not receive federal reimbursement for the UC system costs not billed.

## 1.2 Cost reporting

The profit and loss reports prepared by the ITSD did not include UC system expenditures of \$2.6 million charged to the GRF. The state accounting system (Statewide Advantage for Missouri or SAM II) includes certain data fields for users to code expenditures to specific sources such as projects, grants, or programs. Use of specific codes can enhance accounting capabilities, thereby facilitating the reporting and classification of expenditures. The ITSD assigned specific codes for use in tracking and reporting expenditures related to the UC system. An internal profit and loss summary report is prepared to present total revenues and expenditures for each major communications category, including the UC system.

In addition to changing the funding source from the RATF to the GRF, the accounting entries also removed the code assigning the transactions to the UC system. As a result, these expenditures were no longer included in reports prepared by management and were not included in the UC system operating profit or loss calculations. According to ITSD management, the internal profit and loss report was designed to include only expenditures from the RATF.

According to ITSD management, the loss reported per the ITSD reports through November 2011 occurred because the UC system lease payments are made early each quarter while the revenue to recover that payment is billed and collected over all 3 months of the quarter. As a result, the system operates at a loss early in the quarter and should reflect a profit by the end of the quarter. This operating pattern will continue until the finance lease is repaid.

According to accepted standards<sup>4</sup>, all IT costs should be identified and mapped to IT services to support a transparent cost model. Actual costs should be captured and allocated according to the enterprise cost model (cost allocation plan), allowing IT services to be linked to business

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<sup>4</sup> "COBIT Framework for IT Governance and Control,"  
<<http://www.isaca.org/Knowledge-Center/COBIT/Pages/Overview.aspx>>, accessed March 6, 2012.



## Information Technology Services Division Management Advisory Report - State Auditor's Findings

processes to aid in identifying service billing levels. Variances between forecasts and actual costs should be analyzed and reported. In addition, organizations should regularly review and benchmark the appropriateness of the cost/recharge model to maintain the plan relevance and appropriateness to the evolving business and IT activities.

Without accurately recording all UC system transactions and including all applicable costs and expenditures in financial reports and cost allocation plans, management does not have all information necessary to make decisions on the cost effectiveness and efficiency of a system or project.

### Recommendations

- 1.1 The ITSD ensure UC system costs are allocated to and paid from the revolving fund and are fully charged to users. In addition, the ITSD should bill users \$2,600,480 and use the proceeds to reimburse the GRF.
- 1.2 The ITSD identify, capture, and allocate all costs associated with the UC system to accurately report UC system profit or loss.

### Auditee's Response

- 1.1 *The use of general revenue funds to upgrade the state's communication systems was within its appropriation authority. ITSD complied with legal requirements as there are no restrictions against using general revenue appropriated to ITSD for the expenditures noted in the report. ITSD is currently in the process of finalizing the allocation of Unified Communications and all other communications costs for FY 2013. ITSD intends to identify and allocate all costs associated with the state's communication system in this plan.*

*The Office of Administration has significant concerns that billing the users and using the proceeds to reimburse the general revenue fund may violate federal regulations from OMB Circular A-87, as recommended by the audit. Attachment C. Part G, Number 4 states, "Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (Federal share and non-Federal) share exceeds \$500,000." This regulation does not allow for a partial allocation adjustment.*

### Auditor's Comment

The ITSD response acknowledges federal reimbursement of allowable costs has not occurred because the ITSD did not properly allocate UC system costs. It's the ITSD's duty to state taxpayers to contact the appropriate federal agency to clarify this issue before forfeiting the chance to obtain federal reimbursement. In addition, approximately 51 percent of telecommunications costs in fiscal year 2011 were paid by user agencies from various state funds (such as the Public Service Commission Fund and



Information Technology Services Division  
Management Advisory Report - State Auditor's Findings

the Parks Sales Tax Fund), which are not subject to OMB Circular A-87 requirements.

1.2 *ITSD intends to identify, capture, and allocate all costs associated with the state's communication system in this cost allocation plan, as well as, account for any profit or loss that may occur in the FY 2013 Communications Cost Allocation Plan.*

## 2. State Data Center Equipment Lease

ITSD management created an invoice to bill for services that were not performed, and then issued a State Data Center (SDC) credit to reverse the transaction in the following year. The transaction appears to circumvent the legislative appropriation process, and was initiated to prevent GRF appropriation spending authority from lapsing.

The SDC provides mainframe data processing services and resources to meet the business requirements of state agency customers. ITSD management develops an annual cost allocation plan to project costs to operate the SDC and allocates and bills those costs to end users based on service usage. Funds received from SDC billings were credited to the RATF. Expenditures to support SDC operations were then made by the ITSD from the RATF.

### Advance payment

In March 2010, the ITSD entered into a lease to finance the purchase of computer equipment for the SDC. In late June 2010, the ITSD made an advance lease payment of \$883,420. Pursuant to the terms of the lease, the advance payment effectively eliminated 1 year of the term of the lease. The ITSD projected that making this early payment would save interest costs of more than \$60,000 over the life of the lease.

According to email documentation dated June 24, 2010, the ITSD wanted to expend funds remaining in a GRF appropriation to fund part of the advance payment. The ITSD created an invoice in June 2010, to bill a user within the ITSD \$288,000 for "SDC Services Provided". ITSD management wrote on the supporting documentation that the invoice "should look like an SDC bill." The ITSD processed the payment from a GRF appropriation and the funds were deposited into the RATF. According to SDC billing system reports, this user was billed about \$490 and \$1,400 for SDC services provided in May and June 2010, respectively. However, there are no records to support the \$288,000 billing invoice.

In May 2011, ITSD management offset the use of \$288,000 from the GRF by issuing credits to other ITSD users to reduce SDC billing amounts. However, the credits were not issued to the user that was billed and were applied in a subsequent fiscal year. ITSD management said the billing credits were issued to reverse the impact of the GRF transaction. Since the ITSD users were funded by the GRF, there was no net impact on the fund



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balance. According to the SDC cost allocation plan, each customer should be treated in an equitable manner and billing rates are based on the amount of resources used.

The OA has not established specific guidelines to determine when it is appropriate to make payments before they are due to expend appropriations before they lapse. Such a policy is necessary to specifically establish the criteria for expending funds from the current operating budget on future obligations and to establish documentation requirements to ensure processing transparency. According to OA management, the OA has discussed establishing a policy regarding the acceptable use of expending current operating funds on future obligations.

While the advance lease payment saved the state future interest payments of approximately \$70,000, the method used for processing the transaction circumvented the legislative appropriation process, and appears to have been initiated to prevent GRF appropriation spending authority from lapsing.

## Recommendation

The ITSD facilitate transparent transaction processing and the proper use of resources by ensuring the payment for services is supported by approved funding sources and charges for service usage are identifiable and measureable. In addition, the ITSD should work with the OA to establish a policy for use in determining when it is acceptable to make early lease payments and the documentation requirements to ensure transparency and compliance with the policy.

## Auditee's Response

*In the first audit finding, ITSD paid unallocated charges from the GRF, and the audit recommends that these charges be allocated back through the allocation plan to reimburse GR. In this recommendation, ITSD allocated charges back through an allocation plan in order to make a payment on debt directly related to the allocated costs. This action saved the state \$70,000 as noted in the audit.*

*ITSD believes the payment of debt in order to save interest demonstrates prudent financial management. OA is supportive of reducing interest costs and reducing the balance of outstanding obligations when possible. This activity is consistent with Missouri's conservative approach to financing and the State's AAA bond rating.*

*OA recognizes there is not an established policy to determine the process by which to make early lease payments and what documentation should be required to ensure transparency. In order to lend direction to the mechanism by which these types of transactions are processed uniformly, OA will review what policy or practice can be established.*



## Auditor's Comment

It is never appropriate for a government entity to prepare false documents. ITSD's contention that it allocated costs appropriately is inaccurate. As noted in the finding, the ITSD manipulated the process by billing one user for services that were not provided, but crediting other users in the subsequent fiscal year.

### 3. Service Level Agreements

The ITSD does not have current agreements documenting the terms of the partnerships between the ITSD and the state agencies the division serves. As a result, ITSD management does not have minimum performance targets for IT services and cannot determine if the services provided meet the needs and expectations of state agency customers.

A Service Level Agreement (SLA) is a document used by organizations entering into a partnership for the provision of IT services. According to accepted standards<sup>5</sup>, the SLA should document the agreements reached regarding:

- Technical and administrative support to be provided by the service provider
- Service support requirements, including availability, reliability, performance, and capacity for growth
- Roles and responsibilities of each party, including responsibility for oversight
- Backup, recovery, and security responsibilities of each party
- Quantitative and/or qualitative metrics for measuring service
- Funding arrangements
- Customer commitments

According to the Information Systems Control Journal,<sup>6</sup> a "SLA is a necessity between a service provider and service beneficiary because a service can be called "bad" or "good" only if this service is clearly described. Moreover, it formalizes the needs and expectations of the organization and serves as a kind of guarantee for both parties. In this way, potential misunderstandings are reduced and a clear view is given on the priorities of the service and its delivery. . . A balanced SLA is a compromise between the needs, expectations and requirements of the organization (user group) and the service provision capabilities and promises of the service provider. At the same time, it must protect the service provider by limiting

<sup>5</sup> "COBIT Framework for IT Governance and Control," <http://www.isaca.org/Knowledge-Center/COBIT/Pages/Overview.aspx>, accessed March 6, 2012.

<sup>6</sup> Grembergen, Wim Van, Ph.D., Steven De Haes and Isabelle Amelinckx. "Using COBIT and the Balanced Scorecard as Instruments for Service Level Management." Information Systems Control Journal, Volume 4 (2003): 56-62.



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Information Technology Services Division  
Management Advisory Report - State Auditor's Findings

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liability, identifying responsibilities and rationally managing user expectations."

According to ITSD management, a new SLA document is being drafted for one state agency. Upon completion, this document will be used as a model SLA for other state agencies.

Similar conditions  
previously reported

Similar conditions were noted in prior audit reports. In our 2009 report on the state's IT consolidation<sup>7</sup>, we noted that ITSD management was working on updating the SLAs created by the prior administration. A 2011 report<sup>8</sup> noted the ITSD still had not completed the process of implementing new SLAs with state agency customers. As of March 2012, ITSD management stated the process of drafting a new SLA was still ongoing.

Recommendations

The ITSD should finalize the development of new Service Level Agreements that specify and adequately measure levels of agency user satisfaction.

Auditee's Response

*ITSD is working with agencies to develop meaningful Service Level Agreements that satisfy both agency and ITSD needs.*

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<sup>7</sup> SAO Audit Report 2009-112, *Office of Administration - Information Technology Consolidation*, issued October 2009.

<sup>8</sup> SAO Audit Report 2011-056, *Department of Revenue - Taxation Division Security Controls*, issued September 2011.

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# Information Technology Services Division

## Organization and Statistical Information

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The Information Technology Services Division (ITSD) is a division of the Office of Administration (OA). The ITSD was formed in January 2005 to consolidate information technology (IT) staff and funding for executive branch agencies.

The ITSD is responsible for coordinating and providing IT services to executive branch agencies. Services provided by the division include the operation of the State Data Center to provide a centralized computer facility used by state agencies and elected officials; operation of the state telecommunications network; desktop support; web, mainframe, and other communication platform and application development and maintenance; data management and database support; email services; help desk and desktop support; cyber security; and an IT education center for state employees.

The ITSD directly supports the following executive offices and state agencies: Agriculture; Corrections; Economic Development; Elementary and Secondary Education; Governor's Office; Health and Senior Services; Higher Education; Insurance, Financial Institutions & Professional Registration; Labor and Industrial Relations; Lieutenant Governor's Office; Mental Health; Natural Resources; Office of Administration; Public Safety; Revenue; and Social Services.

Tim Robyn was appointed acting Chief Information Officer in January 2012. Doug Young served as the Chief Information Officer from November 2009 through December 2011. Bill Bryan was the Chief Information Officer from January 2009 through October 2009. At June 30, 2011, the division had 1,014 employees.

### American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

During the year ended June 30, 2011, the ITSD was awarded \$6,573,382 and expended \$71,598 of American Recovery and Reinvestment Act (ARRA) of 2009 monies for the purpose of Rural Broadband Development. These monies were appropriated to the division from the Federal Stimulus - OA Fund. Additionally, the division received appropriations of \$5,644,613 and expended \$1,944,169 from the Federal Budget Stabilization - Education 18% Fund to meet grant matching requirements of the Rural Broadband Development Grants. During the year ended June 30, 2010, the division was appropriated \$34,355,387 and expended \$1,118,212, for the matching requirements related to Rural Broadband Grants.

During the years ended June 30, 2011 and 2010, the division was appropriated \$7,905,226 and \$441,541, respectively, from other state agencies' ARRA awards to support those agencies' business functions and computer systems. These monies were appropriated to the division from the Federal Budget Stabilization - Education 18% Fund and the Federal Stimulus - OA Fund. Expenditures from these appropriations totaled



## Information Technology Services Division Organization and Statistical Information

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\$4,077,703 and \$441,541 during the years ended June 30, 2011 and 2010, respectively.

The division was also appropriated \$4,107,640 and expended \$4,107,634 of ARRA monies during the year ended June 30, 2010, from the Federal Budget Stabilization - Medicaid Reimbursement Fund to fund general operations of the division.

A summary of the division's financial activity is presented in the following appendixes.



## Appendix A

### Office of Administration Information Technology Services Division Comparative Statement of Receipts

	Year Ended June 30,	
	2011	2010
<b>GENERAL REVENUE FUND</b>		
Vendor refunds	\$ 30,128	9,234
Overpayments	0	69
Cost reimbursements	509	0
Sales and commissions	893,850	867,816
Rebates	25	4
Total General Revenue Fund	924,512	877,123
<b>OFFICE OF ADMINISTRATION INFORMATION TECHNOLOGY FEDERAL FUND</b>		
Federal grants	48,317,836	50,398,458
Vendor refunds	4,775	16,896
Overpayments	566	79
Cost Reimbursements	0	480,880
Rebates	1,520	2,760
Miscellaneous	0	20,674
Interagency receipts - Reimbursements	17,869	370,907
Total Office of Administration Information Technology Federal Fund	48,342,566	51,290,654
<b>MISSOURI PUBLIC HEALTH SERVICES FUND</b>		
Sales and commissions	0	303,882
Cost reimbursements	448,569	0
Rebates	41	0
Interagency receipts - Reimbursements	0	20,387
Total Missouri Public Health Services Fund	448,610	324,269
<b>OFFICE OF ADMINISTRATION REVOLVING ADMINISTRATIVE TRUST FUND</b>		
Sales and commissions	14,203	18,483
Vendor refunds	75,809	22,603
Rebates	2,817	3,532
Loan proceeds	15,395,703	0
Overpayments	392	2,753
Interagency Receipts - Computing	21,853,477	21,752,267

## Appendix A

### Office of Administration Information Technology Services Division Comparative Statement of Receipts

	Year Ended June 30,	
	2011	2010
Interagency Receipts - Reimbursements	3,362,597	2,449,527
Interagency Receipts - Telecommunications	29,721,124	29,656,876
Interagency Receipts - Training	238,832	406,029
Total Office of Administration Administrative Revolving Trust Fund	70,664,954	54,312,070
FEDERAL STIMULUS - OA FUND		
American Recovery and Reinvestment Act (ARRA)	2,397,481	594,797
Total Federal Stimulus - OA Fund	2,397,481	594,797
Total All Funds	\$ 122,778,123	107,398,913

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Office of Administration  
Information Technology Services Division  
Comparative Statement of Appropriations and Expenditures

	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>						
General Revenue IT Consolidation Personal Service	\$ 21,426,444	20,737,370	689,074	23,015,469	21,989,434	1,026,035
General Revenue IT Consolidation Expense and Equipment	15,499,062	15,498,853	209	15,129,658	13,052,865	2,076,793
DOR IT Consolidation HC Personal Service	1,907,017	1,829,201	77,816	2,239,237	1,938,027	301,210
DOR IT Consolidation HC Expense and Equipment	3,656,612	3,115,840	540,772	4,687,975	4,290,035	397,940
Total General Revenue Fund	42,489,135	41,181,264	1,307,871 *	45,072,339	41,270,361	3,801,978 *
<b>DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS ADMINISTRATIVE FUND</b>						
Federal DOLIR IT Consolidation Personal Service	3,528,766	3,331,626	197,140	3,528,766	3,204,981	323,785
Federal DOLIR IT Consolidation Expense and Equipment	419,981	337,750	82,231	569,981	537,069	32,912
Total Department of Labor and Industrial Relations Administrative Fund	3,948,747	3,669,376	279,371	4,098,747	3,742,050	356,697
<b>OFFICE OF ADMINISTRATION INFORMATION TECHNOLOGY FEDERAL AND OTHER FUND</b>						
Federal IT Consolidation Personal Service	13,796,627	11,162,803	2,633,824	13,801,549	11,433,916	2,367,633
Federal IT Consolidation Expense & Equipment	53,991,744	33,435,085	20,556,659	53,876,822	35,338,917	18,537,905
Total Office of Administration Information Technology Federal and Other Fund	67,788,371	44,597,888	23,190,483	67,678,371	46,772,833	20,905,538
<b>CHILD SUPPORT ENFORCEMENT FUND</b>						
DSS IT Consolidation Personal Service	521,528	521,211	317	521,528	521,455	73
DSS IT Consolidation Expense and Equipment	1,229,528	1,229,528	0	1,229,528	1,229,528	0
Total Child Support Enforcement Fund	1,751,056	1,750,739	317	1,751,056	1,750,983	73

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	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>HEALTH CARE TECHNOLOGY FUND</b>						
DHSS IT Consolidation Laboratory Management						
Information System Personal Service	0	0	0	82,244	43,080	39,164
DHSS IT Consolidation Expense and Equipment	0	0	0	407,307	14,449	392,858
DHSS IT Consolidation Laboratory Management						
Information System Expense and Equipment	0	0	0	767,756	207,390	560,366
Total Health Care Technology Fund	0	0	0	1,257,307	264,919	992,388 *
<b>ELEVATOR SAFETY FUND</b>						
DPS IT Consolidation Expense and Equipment	9,215	5,091	4,124	9,215	8,950	265
Total Elevator Safety Fund	9,215	5,091	4,124	9,215	8,950	265
<b>MISSOURI ARTS COUNCIL TRUST FUND</b>						
DED IT Consolidation Expense and Equipment	23,060	2,336	20,724	23,060	4,157	18,903
Total Missouri Arts Council Trust Fund	23,060	2,336	20,724	23,060	4,157	18,903
<b>MISSOURI COMMISSION FOR THE DEAF BOARD OF CERTIFICATION OF INTERPRETERS FUND</b>						
DESE IT Consolidation Expense and Equipment	8,000	0	8,000	8,000	223	7,777
Total Missouri Commission for the Deaf Board of Certification of Interpreters Fund	8,000	0	8,000	8,000	223	7,777
<b>NURSING FACILITY QUALITY OF CARE FUND</b>						
DHSS IT Consolidation Personal Service	416,162	141,011	275,151	416,162	267,547	148,615
DHSS IT Consolidation Expense and Equipment	104,048	1,648	102,400	104,048	92,682	11,366
Total Nursing Facility Quality of Care Fund	520,210	142,659	377,551	520,210	360,229	159,981

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	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND</b>						
DED IT Consolidation Expense and Equipment	55,704	6,151	49,553	55,704	10,929	44,775
Total Division of Tourism Supplemental Revenue Fund	55,704	6,151	49,553	55,704	10,929	44,775
<b>HEALTH INITIATIVES FUND</b>						
DSS IT Consolidation Personal Service	5,494	5,328	166	5,494	5,328	166
DHSS IT Consolidation Expense and Equipment	57,000	9,686	47,314	2,100	1,977	123
DSS IT Consolidation Expense and Equipment	67	65	2	67	65	2
Total Health Initiatives Fund	62,561	15,079	47,482 *	7,661	7,370	291 *
<b>HEALTH ACCESS INCENTIVE FUND</b>						
DHSS IT Consolidation Expense and Equipment	7,700	7,323	377	13,700	12,535	1,165
Total Health Access Incentive Fund	7,700	7,323	377 *	13,700	12,535	1,165 *
<b>LOTTERY PROCEEDS FUND</b>						
DESE IT Consolidation Expense and Equipment	113,480	104,445	9,035	113,480	109,413	4,067
Total Lottery Proceeds Fund	113,480	104,445	9,035 *	113,480	109,413	4,067 *
<b>ANIMAL HEALTH LABORATORY FEES FUND</b>						
MDA IT Consolidation Personal Service	5,390	0	5,390	5,390	5,390	0
MDA IT Consolidation Expense and Equipment	5,936	5,467	469	5,936	2,303	3,633
Total Animal Health Laboratory Fees Fund	11,326	5,467	5,859	11,326	7,693	3,633
<b>MAMMOGRAPHY FUND</b>						
DHSS IT Consolidation Expense and Equipment	4,640	1,457	3,183	4,640	4,456	184
Total Mammography Fund	4,640	1,457	3,183	4,640	4,456	184

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	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>ANIMAL CARE RESERVE FUND</b>						
MDA IT Consolidation Personal Service	7,013	0	7,013	7,013	4,194	2,819
MDA IT Consolidation Expense and Equipment	9,403	894	8,509	9,403	9,361	42
Total Animal Care Reserve Fund	16,416	894	15,522	16,416	13,555	2,861
<b>ELDERLY HOME-DELIVERED MEALS TRUST FUND</b>						
DOR IT Consolidation Expense and Equipment	10,970	10,970	0	10,970	10,970	0
Total Elderly Home-Delivered Meals Trust Fund	10,970	10,970	0	10,970	10,970	0
<b>MISSOURI PUBLIC HEALTH SERVICES FUND</b>						
DHSS IT Consolidation Expense and Equipment	741,493	383,634	357,859	741,493	165,652	575,841
DHSS IT Consolidation Personal Service	131,420	97,682	33,738	131,420	74,925	56,495
Total Missouri Public Health Services Fund	872,913	481,316	391,597	872,913	240,577	632,336
<b>LIVESTOCK BRANDS FUND</b>						
MDA IT Consolidation Personal Service	232	0	232	232	232	0
MDA IT Consolidation Expense and Equipment	3,010	2,866	144	3,010	697	2,313
Total Livestock Brands Fund	3,242	2,866	376	3,242	929	2,313
<b>VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST FUND</b>						
DPS IT Consolidation Expense and Equipment	39,000	38,068	932	39,000	37,234	1,766
Total Veterans' Commission Capital Improvement Trust Fund	39,000	38,068	932	39,000	37,234	1,766
<b>COMMODITY COUNCIL MERCHANDISING FUND</b>						
MDA IT Consolidation Personal Service	341	0	341	341	341	0
MDA IT Consolidation Expense and Equipment	781	32	749	781	67	714
Total Commodity Council Merchandising Fund	1,122	32	1,090	1,122	408	714

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	Year ended June 30,					
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	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL SURPLUS PROPERTY FUND						
OA IT Consolidation Expense and Equipment	12,642	1,027	11,615	12,642	2,801	9,841
Total Federal Surplus Property Fund	12,642	1,027	11,615	12,642	2,801	9,841
SINGLE-PURPOSE ANIMAL FACILITIES LOAN GUARANTEE FUND						
MDA IT Consolidation Personal Service	428	0	428	428	428	0
MDA IT Consolidation Expense and Equipment	1,162	65	1,097	1,162	134	1,028
Total Single-Purpose Animal Facilities Loan Guarantee Fund	1,590	65	1,525	1,590	562	1,028
STATE FAIR FEES FUND						
MDA IT Consolidation Personal Service	12,083	0	12,083	12,083	10,394	1,689
MDA IT Consolidation Expense and Equipment	9,704	2,805	6,899	9,704	1,310	8,394
Total State Fair Fees Fund	21,787	2,805	18,982	21,787	11,704	10,083
MISSOURI VETERANS HOMES FUND						
DPS IT Consolidation PS	405,793	361,860	43,933	405,793	403,903	1,890
DPS IT Consolidation Expense and Equipment	542,839	422,347	120,492	542,839	440,268	102,571
Total Missouri Veterans Homes Fund	948,632	784,207	164,425	948,632	844,171	104,461
DNR COST ALLOCATION FUND						
DNR IT Consolidation Personal Service	2,850,215	2,318,456	531,759	2,797,597	2,411,024	386,573
DNR IT Consolidation Expense and Equipment	4,302,150	2,585,022	1,717,128	4,354,768	2,507,992	1,846,776
Total DNR Cost Allocation Fund	7,152,365	4,903,478	2,248,887	7,152,365	4,919,016	2,233,349

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	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
STATE FACILITY MAINTENANCE AND OPERATIONS FUND						
OA IT Consolidation Personal Service	91,590	91,078	512	91,590	88,662	2,928
OA IT Consolidation Expense and Equipment	231,274	229,430	1,844	144,274	106,787	37,487
Total State Facility Maintenance and Operations Fund	322,864	320,508	2,356	235,864	195,449	40,415
DIFP ADMINISTRATIVE FUND						
DIFP IT Consolidation Personal Service	99,367	47,184	52,183	99,367	47,184	52,183
DIFP IT Consolidation Expense and Equipment	24,336	4,653	19,683	24,336	6,164	18,172
Total DIFP Administrative Fund	123,703	51,837	71,866	123,703	53,348	70,355
OA REVOLVING ADMINISTRATIVE TRUST FUND						
OA IT Consolidation Personal Service	6,443,034	5,515,541	927,493	6,443,034	5,835,782	607,252
OA IT Consolidation Expense and Equipment	23,044,014	21,109,626	1,934,388	23,044,014	18,581,065	4,462,949
Centralized Telephone Billing System Expense and Equipment	43,505,000	35,176,283	8,328,717	30,005,000	27,283,144	2,721,856
Total OA Revolving Administrative Trust Fund	72,992,048	61,801,450	11,190,598	59,492,048	51,699,991	7,792,057
WORKING CAPITAL REVOLVING FUND						
DOC IT Consolidation Personal Service	63,364	52,200	11,164	63,364	52,200	11,164
DOC IT Consolidation Expense and Equipment	170,410	104,607	65,803	170,410	94,338	76,072
Total Working Capital Revolving Fund	233,774	156,807	76,967	233,774	146,538	87,236
INMATE REVOLVING FUND						
DOC IT Consolidation Expense and Equipment	9,517,088	3,712,169	5,804,919	10,469,380	3,468,481	7,000,899
Total Inmate Revolving Fund	9,517,088	3,712,169	5,804,919	10,469,380	3,468,481	7,000,899 *



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	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
DEPARTMENT OF SOCIAL SERVICES						
ADMINISTRATIVE TRUST FUND						
DSS IT Consolidation Expense and Equipment	402,972	87,003	315,969	402,972	0	402,972
Total Department of Social Services Administrative Trust Fund	402,972	87,003	315,969	402,972	0	402,972
DED ADMINISTRATIVE FUND						
DED IT Consolidation Personal Service	681,935	304,963	376,972	681,935	485,964	195,971
DED IT Consolidation Expense and Equipment	1,278,197	35,224	1,242,973	1,128,197	55,235	1,072,962
Total DED Administrative Fund	1,960,132	340,187	1,619,945	1,810,132	541,199	1,268,933
DIVISION OF CREDIT UNIONS FUND						
DIFP IT Consolidation Expense and Equipment	6,611	1,738	4,873	6,611	1,516	5,095
Total Division of Credit Unions Fund	6,611	1,738	4,873	6,611	1,516	5,095
DIVISION OF FINANCE FUND						
DIFP IT Consolidation Personal Service	51,248	46,050	5,198	51,248	45,984	5,264
DIFP IT Consolidation Expense and Equipment	99,552	93,431	6,121	99,552	80,807	18,745
Total Division of Finance Fund	150,800	139,481	11,319	150,800	126,791	24,009
INSURANCE EXAMINERS FUND						
DOI IT Consolidation Expense and Equipment	121,628	63,151	58,477	156,628	65,950	90,678
Total Insurance Examiners Fund	121,628	63,151	58,477	156,628	65,950	90,678
DEAF RELAY SERVICE AND EQUIPMENT DISTRIBUTION PROGRAM FUND						
DESE IT Consolidation Expense and Equipment	13,000	1,951	11,049	13,000	202	12,798
Total Deaf Relay Service and Equipment Distribution Program Fund	13,000	1,951	11,049	13,000	202	12,798

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Comparative Statement of Appropriations and Expenditures

	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
PROFESSIONAL AND PRACTICAL NURSING STUDENT LOAN AND NURSE LOAN REPAYMENT FUND						
DHSS IT Consolidation Expense and Equipment	5,600	2,783	2,817	7,600	6,761	839
DHSS IT Consolidation Personal Service	10,000	1,393	8,607	0	0	0
Total Professional and Practical Nursing Student Loan and Nurse Loan Repayment Fund	15,600	4,176	11,424	7,600	6,761	839
INSURANCE DEDICATED FUND						
DOI IT Consolidation Personal Service	600,093	437,350	162,743	600,093	497,322	102,771
DOI IT Consolidation Expense and Equipment	403,019	227,919	175,100	368,019	222,871	145,148
Total Insurance Dedicated Fund	1,003,112	665,269	337,843	968,112	720,193	247,919
LIVESTOCK SALES & MARKETS FEES FUND						
MDA IT Consolidation Personal Service	390	0	390	390	390	0
MDA IT Consolidation Expense and Equipment	262	4	258	262	67	195
Total Livestock Sales & Markets Fees Fund	652	4	648	652	457	195
CHEMICAL EMERGENCY PREPAREDNESS FUND						
DPS IT Consolidation Expense and Equipment	11,500	10,183	1,317	11,500	6,850	4,650
Total Chemical Emergency Preparedness Fund	11,500	10,183	1,317	11,500	6,850	4,650
MOTOR VEHICLE COMMISSION FUND						
DOR IT Consolidation Personal Service	19,784	15,693	4,091	19,784	17,946	1,838
DOR IT Consolidation Expense and Equipment	37,805	37,805	0	37,805	37,805	0
Total Motor Vehicle Commission Fund	57,589	53,498	4,091	57,589	55,751	1,838
MISSOURI JOB DEVELOPMENT FUND						
DED IT Consolidation Expense and Equipment	7,000	0	7,000	7,000	1,462	5,538
Total Missouri Job Development Fund	7,000	0	7,000	7,000	1,462	5,538

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	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
CONSERVATION COMMISSION FUND						
DOR IT Consolidation Expense and Equipment	33,198	33,198	0	33,198	33,198	0
Total Conservation Commission Fund	33,198	33,198	0	33,198	33,198	0
DEPARTMENT OF REVENUE INFORMATION FUND						
DOR IT Consolidation Personal Service	194,849	157,654	37,195	194,849	193,864	985
DOR IT Consolidation Expense and Equipment	58,180	18,515	39,665	58,180	37,628	20,552
DOR IT Consolidation Replacement Systems Expense and Equipment	11,991,918	113,074	11,878,844	11,991,918	142,043	11,849,875
Total Department of Revenue Information Fund	12,244,947	289,243	11,955,704	12,244,947	373,535	11,871,412
BLIND PENSION FUND						
DSS IT Consolidation Expense and Equipment	29,591	29,591	0	29,591	29,591	0
Total Blind Pension Fund	29,591	29,591	0	29,591	29,591	0
STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND						
DOR IT Consolidation Personal Service	861,791	819,733	42,058	861,791	835,937	25,854
DOR IT Consolidation Expense and Equipment	2,794,899	2,710,769	84,130	2,794,899	2,711,052	83,847
Total State Highways and Transportation Department Fund	3,656,690	3,530,502	126,188 *	3,656,690	3,546,989	109,701 *
MILK INSPECTION FEES FUND						
MDA IT Consolidation Personal Service	1,481	0	1,481	1,481	1,481	0
MDA IT Consolidation Expense and Equipment	4,963	1,217	3,746	4,963	2,241	2,722
Total Milk Inspection Fees Fund	6,444	1,217	5,227	6,444	3,722	2,722

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## Office of Administration Information Technology Services Division Comparative Statement of Appropriations and Expenditures

	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
DEPARTMENT OF HEALTH AND SENIOR SERVICES						
DOCUMENT SERVICES FUND						
DHSS IT Consolidation Personal Service	20,000	246	19,754	0	0	0
DHSS IT Consolidation Expense and Equipment	108,356	22,718	85,638	108,356	57,473	50,883
Total Department of Health and Senior Services Document Services Fund	128,356	22,964	105,392	108,356	57,473	50,883
GRAIN INSPECTION FEES FUND						
MDA IT Consolidation Personal Service	10,359	0	10,359	10,359	9,060	1,299
MDA IT Consolidation Expense and Equipment	33,851	26,849	7,002	33,851	24,093	9,758
Total Grain Inspection Fees Fund	44,210	26,849	17,361	44,210	33,153	11,057
EXCELLENCE IN EDUCATION FUND						
DESE IT Consolidation Expense and Equipment	20,000	20,000	0	20,000	12,102	7,898
Total Excellence In Education Fund	20,000	20,000	0	20,000	12,102	7,898
WORKERS COMPENSATION FUND						
DOLIR IT Consolidation EE	5,327,737	257,544	5,070,193	5,327,737	322,690	5,005,047
DOLIR IT Consolidation Personal Service	283,250	36,165	247,085	283,250	33,777	249,473
Total Workers Compensation Fund	5,610,987	293,709	5,317,278	5,610,987	356,467	5,254,520
DEPARTMENT OF HEALTH - DONATED FUND						
DHSS IT Consolidation Personal Service	117,031	390	116,641	107,031	27,872	79,159
DHSS IT Consolidation Expense and Equipment	20,543	7,849	12,694	48,443	48,091	352
Total Department of Health-Donated Fund	137,574	8,239	129,335	155,474	75,963	79,511
PETROLEUM INSPECTION FUND						
MDA IT Consolidation Personal Service	83,493	65,744	17,749	83,493	78,528	4,965
MDA IT Consolidation Expense and Equipment	48,045	17,031	31,014	48,045	14,197	33,848
Total Petroleum Inspection Fund	131,538	82,775	48,763	131,538	92,725	38,813

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	Year ended June 30,					
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	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>HAZARDOUS WASTE FUND</b>						
DHSS IT Consolidation Expense and Equipment	14,000	2,000	12,000	7,000	6,453	547
Total Hazardous Waste Fund	14,000	2,000	12,000	7,000	6,453	547
<b>SAFE DRINKING WATER FUND</b>						
DHSS IT Consolidation Expense and Equipment	3,500	3,394	106	0	0	0
Total Safe Drinking Water Fund	3,500	3,394	106	0	0	0
<b>CRIME VICTIMS COMPENSATION FUND</b>						
DPS IT Consolidation Expense and Equipment	4,001	635	3,366	4,001	787	3,214
DPS/DOLIR IT Consolidation Expense and Equipment	21,558	8,704	12,854	21,558	2,097	19,461
Total Crime Victims Compensation Fund	25,559	9,339	16,220	25,559	2,884	22,675
<b>AGRICULTURE BUSINESS DEVELOPMENT FUND</b>						
MDA IT Consolidation Expense and Equipment	2,501	0	2,501	2,501	1,284	1,217
Total Agriculture Business Development Fund	2,501	0	2,501	2,501	1,284	1,217
<b>PROFESSIONAL REGISTRATION FEES FUND</b>						
DIFP IT Consolidation Personal Service	304,838	280,867	23,971	304,838	287,918	16,920
DIFP IT Consolidation Expense and Equipment	919,791	195,152	724,639	919,791	527,848	391,943
Total Professional Registration Fees Fund	1,224,629	476,019	748,610	1,224,629	815,766	408,863
<b>CHILDREN'S TRUST FUND</b>						
OA IT Consolidation Expense and Equipment	1,100	382	718	1,100	316	784
Total Children's Trust Fund	1,100	382	718	1,100	316	784

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	Year ended June 30,					
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	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>MISSOURI COMMISSION FOR THE DEAF AND HARD OF HEARING FUND</b>						
DESE IT Consolidation Expense and Equipment	1,000	720	280	1,000	0	1,000
Total Missouri Commission for the Deaf and Hard of Hearing Fund	1,000	720	280	1,000	0	1,000
<b>BOILER AND PRESSURE VESSELS SAFETY FUND</b>						
DPS IT Consolidation Expense and Equipment	14,040	13,441	599	14,040	14,031	9
Total Boiler and Pressure Vessels Safety Fund	14,040	13,441	599	14,040	14,031	9
<b>MISSOURI RX PLAN FUND</b>						
DSS IT Consolidation Expense and Equipment	15,000	15,000	0	15,000	15,000	0
Total Missouri Rx Plan Fund	15,000	15,000	0	15,000	15,000	0
<b>PUTATIVE FATHER REGISTRY FUND</b>						
DHSS IT Consolidation Expense and Equipment	12,600	2,649	9,951	12,600	5,471	7,129
Total Putative Father Registry Fund	12,600	2,649	9,951	12,600	5,471	7,129
<b>MISSOURI WINE AND GRAPE FUND</b>						
MDA IT Consolidation Personal Service	6,362	0	6,362	6,362	4,459	1,903
MDA IT Consolidation Expense and Equipment	10,217	2,411	7,806	8,787	2,773	6,014
Total Missouri Wine And Grape Fund	16,579	2,411	14,168	15,149	7,232	7,917
<b>ORGAN DONOR PROGRAM FUND</b>						
DHSS IT Consolidation Personal Service	9,025	89	8,936	9,025	6,658	2,367
DHSS IT Consolidation Expense and Equipment	50,000	27,677	22,323	334,500	329,905	4,595
Total Organ Donor Program Fund	59,025	27,766	31,259	343,525	336,563	6,962

Appendix B

Office of Administration  
Information Technology Services Division  
Comparative Statement of Appropriations and Expenditures

	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>CHILD LABOR ENFORCEMENT FUND</b>						
DOLIR IT Consolidation EE	15,000	855	14,145	15,000	196	14,804
Total Child Labor Enforcement Fund	15,000	855	14,145	15,000	196	14,804
<b>EARLY CHILDHOOD DEVELOPMENT, EDUCATION, AND CARE FUND</b>						
DHSS IT Consolidation Expense and Equipment	54,279	34,461	19,818	36,279	35,126	1,153
DSS IT Consolidation Personal Service	1,482	1,438	44	1,482	1,435	47
Total Early Childhood Development, Education, and Care Fund	55,761	35,899	19,862 *	37,761	36,561	1,200 *
<b>GUARANTY AGENCY OPERATING FUND</b>						
DHE IT Consolidation Personal Service	631,606	379,922	251,684	651,606	413,397	238,209
DHE IT Consolidation Expense and Equipment	271,938	250,608	21,330	251,938	155,807	96,131
Total Guaranty Agency Operating Fund	903,544	630,530	273,014	903,544	569,204	334,340
<b>CHILDHOOD LEAD TESTING FUND</b>						
DHSS IT Consolidation Expense and Equipment	13,037	3,001	10,036	13,037	196	12,841
Total Childhood Lead Testing Fund	13,037	3,001	10,036	13,037	196	12,841
<b>AGRICULTURE DEVELOPMENT FUND</b>						
MDA IT Consolidation Personal Service	1,079	0	1,079	1,079	1,079	0
MDA IT Consolidation Expense and Equipment	879	97	782	879	201	678
Total Agriculture Development Fund	1,958	97	1,861	1,958	1,280	678
<b>UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND</b>						
DOLIR IT Consolidation EE	798,281	145,243	653,038	798,281	389,380	408,901
Total Unemployment Compensation Administration Fund	798,281	145,243	653,038	798,281	389,380	408,901

# Appendix B

## Office of Administration Information Technology Services Division Comparative Statement of Appropriations and Expenditures

	Year ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>SPECIAL EMPLOYMENT SECURITY FUND</b>						
DOLIR IT Consolidation EE	110,000	5	109,995	110,000	209	109,791
Total Special Employment Security Fund	110,000	5	109,995	110,000	209	109,791
<b>FEDERAL BUDGET STABILIZATION - MEDICAID REIMBURSEMENT FUND</b>						
ITSD Consolidation Expense and Equipment	0	0	0	4,107,640	4,107,634	6
Total Federal Budget Stabilization - Medicaid Reimbursement Fund	0	0	0	4,107,640	4,107,634	6
<b>FEDERAL BUDGET STABILIZATION - EDUCATION 18% FUND</b>						
Rural Broadband Grant Matches	5,425,500	1,770,483	3,655,017	34,306,937	1,069,762	33,237,175
Healthcare Information Technology Grant Matches	1,680,000	1,629,600	50,400	0	0	0
Rural Broadband Grant Matches Personal Service	219,113	173,686	45,427	48,450	48,450	0
Total Federal Budget Stabilization - Education 18% Fund	7,324,613	3,573,769	3,750,844 *	34,355,387	1,118,212	33,237,175 *
<b>FEDERAL STIMULUS - OFFICE OF ADMINISTRATION FUND</b>						
Rural Broadband Grants	23,632,556	71,598	23,560,958	150,000,000	0	150,000,000
Healthcare Information Technology Grants	3,490,568	2,135,608	1,354,960	408,609	408,609	0
Unemployment Compensation Personal Service	0	0	0	32,932	32,932	0
DHE Public Computing Centers Personal Service	12,482	12,481	1	0	0	0
DHE Public Computing Centers Expense and Equipment	2,722,176	300,014	2,422,162	0	0	0
Total Federal Stimulus-Office of Administration Fund	29,857,782	2,519,701	27,338,081	150,441,541	441,541	150,000,000
Total All Funds	\$ 275,327,001	176,924,923	98,402,078	418,340,547	169,984,298	248,356,249



## Appendix B

Office of Administration  
Information Technology Services Division  
Comparative Statement of Appropriations and Expenditures

\* The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2011	2010
<b>GENERAL REVENUE FUND</b>		
General Revenue IT Consolidation Personal Service	\$ 673,543	1,025,851
General Revenue IT Consolidation Expense and Equipment	0	2,073,109
DOR IT Consolidation HC Personal Service	65,011	300,177
DOR IT Consolidation HC Expense and Equipment	540,772	397,940
Total General Revenue Fund	1,279,326	3,797,077
<b>HEALTH CARE TECHNOLOGY FUND</b>		
DHSS IT Consolidation Laboratory Management		
Information System Personal Service	0	16,599
DHSS IT Consolidation Expense and Equipment	0	335,107
DHSS IT Consolidation Laboratory Management		
Information System Expense and Equipment	0	560,266
Total Health Care Technology Fund	0	911,972
<b>HEALTH INITIATIVES FUND</b>		
DSS IT Consolidation Personal Service	165	165
DHSS IT Consolidation Expense and Equipment	60	60
DSS IT Consolidation Expense and Equipment	2	2
Total Health Initiatives Fund	227	227
<b>LOTTERY PROCEEDS FUND</b>		
DESE IT Consolidation Expense and Equipment	3,404	3,404
Total Lottery Proceeds Fund	3,404	3,404
<b>HEALTH ACCESS INCENTIVE FUND</b>		
DHSS IT Consolidation Expense and Equipment	231	231
Total Health Access Incentive Fund	231	231

## Appendix B

Office of Administration  
Information Technology Services Division  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,	
	2011	2010
INMATE REVOLVING FUND		
DOC IT Consolidation Expense and Equipment	0	952,292
Total Inmate Revolving Fund	0	952,292
STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND		
DOR IT Consolidation Personal Service	25,854	25,854
DOR IT Consolidation Expense and Equipment	83,847	83,847
Total State Highways and Transportation Department Fund	109,701	109,701
EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND		
DHSS IT Consolidation Expense and Equipment	728	728
DSS IT Consolidation Personal Service	44	44
Total Early Childhood Development, Education, and Care Fund	772	772
FEDERAL BUDGET STABILIZATION - EDUCATION 18% FUND		
Rural Broadband Grant Matches	1,883,460	33,237,174
Healthcare Information Technology Grant Matches	50,400	0
Total Federal Budget Stabilization - Education 18% Fund	1,933,860	33,237,174
Total All Funds	\$ 3,327,521	39,012,850

## Appendix C

Office of Administration  
Information Technology Services Division  
Comparative Statement of Expenditures (From Appropriations)

		Year Ended June 30,				
		2011	2010	2009	2008	2007
Personal services	\$	48,946,416	51,362,884	52,834,590	49,421,995	40,664,016
Travel, in-state		147,560	227,004	337,976	308,016	292,367
Travel, out-of-state		10,540	54,488	111,940	109,941	50,190
Fuel and utilities		21,864	18,035	148	1,161	158
Supplies		1,053,846	2,226,775	1,506,321	1,391,627	895,299
Professional development		188,989	424,783	853,284	992,135	520,236
Communication services and supplies		5,160,907	5,171,391	5,443,849	5,898,206	5,397,650
Services:						
Professional		33,819,375	45,577,703	49,956,128	39,129,935	38,734,174
Janitorial		0	45	404	1,498	492
Maintenance and repair		20,854,442	19,220,345	22,176,258	19,076,818	10,524,720
Equipment:						
Computer		27,221,430	8,386,890	25,427,604	18,685,543	17,628,386
Motorized		0	22,609	34,184	37,198	2,308
Office		2,026,543	490,519	184,099	419,145	99,887
Other		477,843	61,278	295,204	161,566	186,492
Property and improvements		0	907	117,333	14,832	8,332
Debt service		2,585,829	2,792,965	2,521,678	248,630	20,597
Real property rentals and leases		95,905	85,342	5,046	36,277	111,397
Equipment rental and leases		4,140,587	4,514,581	4,446,861	6,085,119	248,119
Miscellaneous expenses		44,173	87,952	111,283	121,904	94,366
Rebillable expenses		29,831,609	29,257,802	28,745,642	27,530,833	25,866,588
Program distributions		297,065	0	25,025	0	0
Total Expenditures	\$	<u>176,924,923</u>	<u>169,984,298</u>	<u>195,134,857</u>	<u>169,672,379</u>	<u>141,345,774</u>



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Fortieth Judicial Circuit City of Lanagan Municipal Division



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July 2012

Report No. 2012-72

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<http://auditor.mo.gov>

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# Fortieth Judicial Circuit, City of Lanagan Municipal Division

## Follow-Up Report on Audit Findings

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#### Status of Findings

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2	Accounting Controls and Procedures .....	3



# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge  
Fortieth Judicial Circuit  
and  
Municipal Judge  
Lanagan, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-12, *Fortieth Judicial Circuit, City of Lanagan Municipal Division*, issued in March 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the court, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we met with the municipal division clerk and city officials to discuss the status of significant findings and any corrective actions taken regarding our recommendations. Supporting documentation was reviewed when appropriate and necessary. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

Thomas A. Schweich  
State Auditor

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# Fortieth Judicial Circuit, City of Lanagan Municipal Division

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Missing Funds

Between July 1, 2009, and December 31, 2009, municipal division receipts totaling at least \$521 were received but not deposited. In addition, some essential records documenting amounts received and case dispositions could not be located by the municipal division, and additional funds could have been missing.

Five receipt slips were written by the former City Clerk for fines and costs totaling \$429, but there was no documentation these monies were turned over to the municipal division and the monies were not deposited.

Additionally, a \$92 money order dated July 17, 2009, received by the municipal division was not recorded as received, but was substituted into a deposit dated November 12, 2009, and recorded cash receipts totaling the same amount were not deposited.

The former City Clerk, Peggy Gilliam, abruptly terminated employment on Wednesday, September 22, 2010, after our initial visit to the city. The former Court Clerk, Christina Moon, terminated employment in February 2010.

The lack of adequate controls and the absence of proper oversight allowed missing funds to go undetected. Additionally, controls over the recording of fines and costs received by the city and subsequent transmittal to the municipal division were poor and contributed to the loss of court monies.

#### Recommendation

The City of Lanagan Municipal Division, along with city officials, work with law enforcement officials regarding any possible criminal prosecution related to the missing cash receipts, including restitution of the missing funds. In addition, an attempt should be made to locate or recover the missing court records and documents to determine whether additional funds are missing.

#### Status

##### **Not implemented**

While the Missouri State Highway Patrol conducted an investigation into the missing funds and submitted information to the McDonald County Prosecuting Attorney, the city has not contacted its bonding company to determine if the funds can be recovered, located municipal division records, or implemented adequate controls to safeguard against possible future loss.

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#### 2. Accounting Controls and Procedures

Significant weaknesses were identified with accounting controls and procedures of the municipal division. As a result, there was no assurance all municipal division receipts were accounted for properly.

##### 2.1 Segregation of duties

The duties of receiving and depositing monies were not adequately segregated from recording transactions. The Court Clerk performed all the duties related to collection of funds, deposit preparation, and posting fines



Fortieth Judicial Circuit, City of Lanagan Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

and court costs received. Neither the Municipal Judge nor other city officials independent of the cash custody and record keeping functions provided any supervision or review of the work performed by the Court Clerk.

## Recommendation

The City of Lanagan Municipal Division segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

## Status

### **Partially implemented**

Procedures were implemented for the City Clerk to review the court's bank statement monthly; however, this review was not documented for the January, February, March, and April 2012 bank statements we reviewed. The Court Clerk indicated the Municipal Judge currently reviews and signs all defendant dockets.

## 2.2 Receipt controls

Accountability over municipal division receipts was inadequate.

- The municipal division did not account for the numerical sequence of receipt slips.
- Receipt slips issued by the city were not reconciled to court receipt records. Some receipt slips issued by the former City Clerk were not readable and all copies of some receipt slips were torn from the receipt books and not retained.
- Fines and costs collected by the city were not transmitted to the municipal division timely.

## Recommendation

The City of Lanagan Municipal Division properly account for the numerical sequence of receipt slips, and work with city officials to ensure receipt slips issued by the city are readable and properly maintained. Additionally, the Municipal Division should work with the city to ensure receipt slips issued by the city are reconciled to court receipt records and the receipts are transmitted timely.

## Status

### **Partially implemented**

Municipal Division monies received by the city are placed in the safe and the Court Clerk is only collecting and recording these monies approximately once a month. Manual receipt slips are now issued for monies received and are readable and properly maintained. The numerical sequence of receipt slips is now accounted for properly and reconciled to deposits.

## 2.3 Deposits

Receipts were not deposited timely or intact. The municipal division deposited receipts approximately monthly, and deposit amounts ranged from





Fortieth Judicial Circuit, City of Lanagan Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

\$5,000 to \$7,000 each month. The municipal division held deposits to ensure adequate cash was on hand to use as change during court.

**Recommendation**

The City of Lanagan Municipal Division ensure receipts are deposited timely and intact, and a change fund should be established if needed.

**Status**

**Not implemented**

Depositing procedures have not improved. Deposits are made approximately monthly; however, no deposits were made during January 2012. Municipal division monies totaling \$4,044 received between January 1 and February 22, 2012, were not deposited until February 23, 2012. A court change fund has been established; however, receipts are still held for extended periods of time.

**2.4 Missing records**

Some records documenting the receipt of fines and costs during the months of January and May through August 2009 could not be located by the municipal division. Further, records documenting the disposition of some cases could not be located by the municipal division.

**Recommendation**

The City of Lanagan Municipal Division ensure necessary records are complete and maintained.

**Status**

**Partially implemented**

While the municipal division has not located missing records from prior years, court records now remain in a secure location at city hall and are properly maintained.

**2.5 Unpaid fines and costs**

Procedures for processing and collecting monies due on tickets where the defendant fails to appear in court were not adequate. The municipal division issued license suspensions for unpaid moving violations, but did not continue these cases on the docket or maintain a list of unpaid fines and costs to properly monitor amounts due.

**Recommendation**

The City of Lanagan Municipal Division develop adequate procedures to account for and follow up on delinquent amounts.

**Status**

**Implemented**

The municipal division now utilizes the State Of Missouri Justice Information System (JIS). As of May 10, 2012, the amount due the court is approximately \$7,500, and includes approximately \$6,900 over 60 days past due. The court has utilized state resources for collection procedures.

**2.6 Case list**

A monthly list of all cases heard was not prepared and filed with the city.



Fortieth Judicial Circuit, City of Lanagan Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Recommendation**

The City of Lanagan Municipal Division ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.

**Status**

**Not implemented**

A list of all cases heard was not presented to the Board for April and May 2012. The Court Clerk indicated problems with the court's monthly close out procedures prevented the necessary list of cases to be prepared.

**2.7 Disbursements**

Fines and costs collected by the municipal division were not properly disbursed to the city as required by law. The Court Clerk directly paid court related expenses (compensation of court clerk and municipal judge and office supplies) out of the municipal division bank account and then remitted remaining monies to the city throughout the month in varying amounts depending on the balance of the account. In addition, although two signatures were required, some checks written out of the municipal division bank account to pay expenses only included one signature.

**Recommendation**

The City of Lanagan Municipal Division ensure all fines and court costs are disbursed at least monthly and court related expenses are paid by the city. Additionally, the Municipal Division should ensure checks are signed by two board members, as required.

**Status**

**Partially implemented**

A review of the court's April 30, 2012, bank statement indicates some court disbursements issued in August, October, and December 2011, and February and March 2012, did not clear the bank until the middle of April 2012. The Court Clerk indicated problems with the court's monthly close out procedures prevented the necessary disbursements from being mailed in a timely manner. All court checks issued now contain two Board members signatures and court related expenses are paid from the city's bank account.

**2.8 Computer backups**

Backup copies of computer programs and data were not maintained or stored at an offsite location.

**Recommendation**

The City of Lanagan Municipal Division ensure backup copies of computer programs and data are maintained and stored at a secure, off-site location.

**Status**

**Implemented**

Computer backups are now initiated by the state JIS on a regularly scheduled basis.

**2.9 Bonding**

The Court Clerk and the City Clerk who collected monies for the municipal division were not bonded.



Fortieth Judicial Circuit, City of Lanagan Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Recommendation**

The City of Lanagan Municipal Division work with the city to ensure the City Clerk and Court Clerk are properly bonded.

**Status**

**In progress**

Documentation has now been obtained to show that the Court Clerk was bonded for 2009 and 2010. City officials indicated current copies of the Court Clerk's bonding documents have been requested from the bonding company by city officials; however, were not available during our follow up review.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## City of Lanagan



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July 2012

Report No. 2012-71

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<http://auditor.mo.gov>

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# City of Lanagan

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Lanagan, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-105, *City of Lanagan*, issued in November 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the city, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation submitted by the City Clerk and discussed the status of significant findings and any corrective action taken regarding our recommendations with the City Clerk, Mayor, and City Attorney. Documents provided included financial reports, bank statements, budgets, contracts, Board minutes, payroll records, and vendor invoices. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

Thomas A. Schweich  
State Auditor

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# City of Lanagan

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Missing Funds

Between January 1, 2009, and December 31, 2010, utility receipts collected for water and trash services totaling at least \$13,520 and other cash receipts totaling at least \$158 were received but not deposited. Additionally, property tax books and receipt records were missing from city hall, and property tax receipts totaling approximately \$2,800 also appeared to be missing. Some other essential records could not be located by the current City Clerk, and as a result, it was likely additional funds were missing. After our initial visit to the city on Wednesday, September 22, 2010, to begin the audit of the City of Lanagan Municipal Division, the former City Clerk, Peggy Gilliam, ended her employment. The Board of Aldermen appointed Monica Blue as City Clerk on October 12, 2010.

#### Water and trash receipts

Water and trash receipts totaling \$171,928 were recorded as received during the 2 years ended December 31, 2010, but only \$163,908 was deposited in the bank account, resulting in a shortage of \$8,020. In addition, some adjustments posted to water customer accounts indicated specifically that payments were received but not posted. These adjustments totaled at least \$5,500 and should have been included in total receipts but were not. As a result, at least \$13,520 was received but not deposited, and was missing.

Missing water/trash monies were concealed in several ways.

- Numerous adjustments were posted to customer accounts to reduce the amount owed; however, payments were made by these customers and the monies were not deposited. These adjustments contained explanations in the memo line such as, "payment not posted" identifying that a payment was, in fact, received. Manual receipt slips or billing stubs marked paid were found for many of these adjustments. However, these payments were not posted as a receipt in the utility accounting system and were not deposited.
- Numerous instances were noted where checks were recorded as received in the utility accounting system, but the manually issued receipt slip or billing stub indicated the monies were received in cash and these monies were not deposited into the city's account.
- Numerous instances were noted where checks received were not recorded in the utility system and were substituted into deposits for recorded cash receipts that were not deposited into the city's account. Adjustments were also posted for these payments to reduce the customer's liability.
- Several instances were identified where a customer made multiple payments to their water/trash account and some payments were not posted or deposited, and are missing. As a result, some customers overpaid the city.



City of Lanagan  
Follow-up Report on Prior Audit Findings  
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Property tax receipts	Approximately \$2,800 in property tax monies may have been missing. City officials indicated the city tax books and tax receipt information disappeared from City Hall shortly after our audit began in September 2010. As a result, detailed receipt information was not available for our review. However, according to city bank deposit records approximately 32 percent less was deposited for property tax receipts in 2009 than in 2010.
Other receipts	At least \$158 in cash recorded on manual receipt slips that should have been deposited in the General Fund and Water Deposit Fund was not deposited.
Recommendation	The Board of Aldermen work with law enforcement officials regarding criminal prosecution for the missing cash receipts and take the necessary actions to recover restitution for amounts missing.
Status	<b>Not implemented</b>  While the Missouri State Highway Patrol (MSHP) conducted an investigation into the city's missing funds and submitted information to the McDonald County Prosecuting Attorney, the city has not contacted their bonding company to determine if the funds can be recovered, or implemented adequate controls to safeguard against possible future loss.
2. Excess Court Revenues	Procedures were not in place to track tickets issued on state and federal highways and related fines and costs collected to determine the excess revenues to be distributed to the Missouri Department of Revenue (DOR). Additionally, the Chief of Police did not properly report the location of vehicle stops to the Missouri Attorney General.
2.1 Monitoring	Tickets issued on state and federal highways and the related fines and costs collected were not properly tracked to determine the excess revenues to be distributed to the DOR. The audit estimated a total of \$36,281 in excess revenue was collected by the city during 2010 and 2009.
Recommendation	The Board of Aldermen properly track collections from fines and court costs for traffic violations on state and federal highways and distribute excess revenues to the DOR. In addition, the Board of Aldermen should pay the DOR \$36,281 for 2010 and 2009 excess revenues or review all tickets for 2010 and 2009 to determine the exact amount of excess revenues collected and disburse that amount to the DOR.
Status	<b>Not implemented</b>  The city has not implemented procedures to track the revenue generated from traffic tickets issued on state highways. In addition to excess court revenues collected by the city for 2010 (\$33,583) and 2009 (\$2,698), the DOR determined additional excess court revenues collected during 2007, 2008, and 2011 were \$13,627, \$8,974 and \$26,016, respectively. In total,





City of Lanagan  
Follow-up Report on Prior Audit Findings  
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\$84,898 is due from the city to the DOR. DOR officials indicated a request for payment was sent to city officials in March 2012, but as of May 23, 2012, no payment had been received.

## 2.2 Reporting

The city did not properly report the location of vehicle stops to the Missouri Attorney General for the 2010 and 2009 Missouri Vehicle Stops Annual Report prepared by the Chief of Police. The city's submission reported all vehicle stops made by the police department for 2010 and 2009 were on city streets.

The Missouri Attorney General's web site instructions indicate state highway should be reported for the location of vehicle stops on a state highway that runs through a city. In October 2010, audit staff advised the Police Chief of this requirement and he responded that according to Google Maps the road is titled Main Street and therefore, he reported it as a city street. In February 2011, the Police Chief submitted the 2010 data and again reported all vehicle stop locations occurred on a city street.

## Recommendation

The Board of Aldermen ensure the Missouri Vehicle Stops Annual Report submissions to the Missouri Attorney General are correctly completed and all traffic stops on state highways are properly reported.

## Status

### **Not implemented**

A McDonald County Grand Jury indicted the Lanagan Chief of Police charging him with five counts of felony forgery for writing citations with a non-existent Missouri statute and altering a racial profiling report (the Missouri Vehicle Stops Annual Report). After the release of our audit report, an investigation was conducted by the MSHP and the McDonald County Prosecuting Attorney which led to the Grand Jury indictments. The charges relate to the Police Chief not correctly reporting the location of traffic stops for proper determination of excess court revenue collections from vehicle stops on state highways. Another city officer was also indicted and charged with two counts of felony forgery.

On February 23, 2012, the city filed the 2011 Missouri Vehicle Stops Annual Report with the Attorney General's Office and incorrectly reported all vehicle stops made by the police department for 2011 were on an interstate highway rather than a state highway.

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## 3. Financial Condition

The city was in poor financial condition and there was no evidence elected officials were providing the guidance and controls necessary to ensure the continuing operations of the city. The city's combined cash balance of the General and Water Funds of \$17,673 at December 31, 2010, was not adequate to pay city liabilities totaling at least \$83,994.



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The city routinely received past due notices from vendors and incurred penalties and finance charges for the late payment of invoices. In addition, the water system had severely deteriorated and water quality violations were referred to the Missouri Attorney General by the Missouri Department of Natural Resources (DNR). Further, city officials continued to increase spending without regard to the poor financial condition of the city. Poor management practices exhibited by city officials, numerous internal control weaknesses, and inaccurate accounting records, as well as the missing cash receipts of at least \$13,678 contributed to the poor financial condition.

## Recommendation

The Board of Aldermen closely monitor and take the necessary steps to improve the financial condition of the General and Water Funds. The Board should perform adequate short-term and long-term planning that include implementing internal controls and monitoring procedures, accurate accounting records, and proper budgeting procedures. Additionally, the Board should contact creditors and negotiate payment plans to reduce city liabilities, and work with the DNR to repair the deteriorated water system.

## Status

### **Not implemented**

The city's financial condition has deteriorated further, and the Board of Aldermen has not adequately monitored city finances. Each month the Board of Aldermen only reviews bills to be paid and not all bills due. As a result, city liabilities have increased significantly. Accurate accounting records are not provided to the Board and the city's combined General Fund and Water Fund bank account balance has dropped to \$333, while liabilities total over \$171,000.

- Financial reports provided to us during our follow up process showed the General Fund cash balance to be \$10,468 at April 30, 2012; however, we identified an \$11,721 posting error made in January 2012, resulting in an actual deficit balance of (\$1,253). The City Clerk was not aware of this error until we brought it to her attention. Between January 1 and April 30, 2012, the city incurred overdraft fees of \$520 because accounting records were not properly reconciled to bank account balances. The Water Fund cash balance was \$1,586 at April 30, 2012. As a result, the city's available cash was only \$333 (\$1,586 - \$1,253) as of April 30, 2012.
- The city was unable to provide documentation that federal and state payroll tax withholdings have been paid since April 2011. According to the city's general ledger, as much as \$23,800 may be due to taxing authorities. This does not include interest and penalties which could be substantial.



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- The city has not remitted sales taxes collected on water billings. The DOR filed tax liens on the city for approximately \$3,200 in unpaid sales taxes for April 2011 through September 2011. No documentation was provided by the city to indicate sales tax collections were remitted for the periods of October 2011 through March 2012. The amount owed for October 2011 through March 2012 is unknown.
- The city has not made regular payments to its trash contractor and at least one \$2,000 check the city paid to the contractor was returned by the bank for insufficient funds. The cost of trash services totals approximately \$1,100 monthly, and at April 30, 2012, the city owed \$8,450 for unpaid trash services.
- The city owes its former engineer approximately \$18,000 at April 30, 2012, which includes interest of approximately \$3,975 for failing to make timely payments. Additionally, at April 30, 2012, the city was 2 months delinquent on the patrol car lease (\$988), and the General Fund owed the Water Deposit Fund approximately \$8,800.
- The city owes the Missouri DOR \$84,898 for excess court revenues (see follow up number 2.1).
- The city has not paid the State Auditor \$30,000 for the audit requested by petitioners and conducted pursuant to Section 29.230, RSMo.
- The city water system continues to deteriorate (see follow up number 5.1). The city signed a consent judgment with the Missouri Attorney General's Office agreeing to pay \$1,291 for 2010 unpaid primacy fees and \$1,457 in civil penalties for continued violations of the Missouri Safe Drinking Water Law.

Although the Board of Aldermen reduced employee hours during 2012, wages continue to be the city's biggest expense. The city has delayed paying most other city liabilities in order to continue meeting payroll expenses.

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#### 4. Accounting Controls and Procedures

Numerous weaknesses were identified with accounting controls and procedures. Extremely poor accounting controls and procedures allowed the missing funds identified in follow up number 1 to occur and go undetected.

##### 4.1 Segregation of duties

The Board of Aldermen had not established adequate segregation of duties or supervisory review over the accounting functions performed by the City Clerk. Weaknesses identified in the utility, payroll, and property tax systems, and overall receipting and disbursing procedures were significant and demonstrated a lack of proper oversight by the Board. Additionally, in November 2010, the Board approved a city ordinance combining the offices of City Clerk and City Collector.



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**Recommendation**

The Board of Aldermen consider appointing separate individuals to the position of City Clerk, City Collector, and City Treasurer to adequately segregate duties. If this is not possible, at a minimum, the Board of Aldermen should perform and document reviews of the City Clerk's work.

**Status**

**Not implemented**

Duties are not segregated and review procedures are not adequate. While the Board of Aldermen are reviewing more financial reports at monthly meetings and the Court Clerk now reviews bank reconciliations prepared by the City Clerk, these procedures were not adequate to identify the \$11,721 error made in January 2012 (see follow up number 3). Additionally, the city ordinance has not been amended to separate the offices of City Clerk and City Collector.

**4.2 Receipting and  
depositing procedures**

The city did not maintain adequate records of receipts, and depositing procedures were poor. As a result, there was no assurance all monies collected were properly handled, recorded, or deposited to city bank accounts.

- Receipt slips were not issued for some monies received.
- Manually issued receipt slips and utility stubs did not always indicate the method of payment, and the city did not reconcile the method of payment recorded on the receipt slips and utility stubs to the composition of receipts recorded in the computerized accounting system or to the deposit.
- Receipt slips were not issued in numerical sequence, some receipt slips were not properly voided and retained, and all copies of some receipt slips were missing from the receipt slip books.
- Monies deposited were not reconciled to receipt records.
- Monies collected were not always deposited intact or in a timely manner.
- Checks and money orders received were not restrictively endorsed immediately upon receipt.
- Access to monies received was not properly restricted.

**Recommendation**

The Board of Aldermen require receipt slips or billing stubs be issued or maintained for all monies received and the numerical sequence of receipt slips be accounted for properly. The method of payment should be documented and the composition of receipts reconciled to the composition of deposits. Additionally, voided receipt slips should be properly defaced and retained, all monies should be deposited intact and in a timely manner, and checks should be restrictively endorsed immediately upon receipt.



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Status

**Partially implemented**

While receipt slips appear to be issued with the method of payment noted for monies received, deposits made on May 18 and May 22, 2012, were not intact. The numerical sequence of receipt slips appeared to be accounted for properly, and city officials indicated checks are now restrictively endorsed upon receipt. Deposits were made approximately twice weekly during April 2012, and no voided receipt slips were observed.

4.3 City licenses and fees

Procedures to properly account for business license fees, pet license fees, park fees, fire membership dues, and cemetery plot sales were not adequate.

Recommendation

The Board of Aldermen establish adequate records and procedures to ensure all city fees are properly collected, recorded, and deposited.

Status

**In progress**

The city has not collected fees in 2012 related to pet licenses, park fees, or cemetery plots; however, the City Clerk indicated that procedures are now in place to better track business licenses and receipt slips are now issued for all city fees. Fire Department membership fee renewals are now mailed by volunteer fire department personnel, and the City Clerk writes receipt slips for the fire department membership fees she collects.

4.4 Accounting records

Accounting records were not accurately maintained. As a result, reports generated from the accounting system could not be relied upon by city officials when making decisions.

Recommendation

The Board of Aldermen ensure accounting records are accurately maintained.

Status

**Not implemented**

Accounting records are not accurately maintained (see follow up number 3).

4.5 Petty cash fund

A petty cash balance of \$805 was removed from the accounting records without documentation of the disposition of the funds.

Recommendation

The Board of Aldermen maintain documentation to provide accountability of the disposition of the petty cash/change fund.

Status

**Not implemented**

While the city no longer maintains a petty cash fund, no documentation was provided to account for the disposition of the \$805 petty cash fund that was removed from the accounting records.



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4.6 Bank accounts and transfers

The city had nine checking accounts and three savings accounts, resulting in excessive transfers between accounts and cumbersome recordkeeping. We identified several instances where checks were issued from one account and then directly re-deposited into the same account in error, and some transfer checks were deposited into the wrong city account and required another transfer check to correct the error. Also, several deposits were made into the wrong city account requiring transfer checks to be issued from city accounts.

Recommendation

The Board of Aldermen consider reducing the number of bank accounts.

Status

**Implemented**

The city consolidated some accounts, but still maintains five checking accounts.

4.7 Backups

Regular and timely backup copies of computer information were not maintained. The computer system crashed in 2009 and information had to be reentered.

Recommendation

The Board of Aldermen maintain backups of computer information and store the backups in a secure, offsite location.

Status

**Implemented**

City Officials indicated backup copies of the accounting records are produced weekly and stored in a fire proof safe in City Hall and in an off-site location.

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5. Water and Trash Services

The city water system was failing and city officials did not have a plan to finance and repair the system. Additionally, significant weaknesses existed in control procedures related to the water system and trash service.

5.1 Deterioration of water system

The city water system infrastructure had deteriorated and was referred to the Missouri Attorney General by the DNR on January 3, 2011, for violations of National Primary Drinking Water Regulations and Missouri Safe Drinking Water Regulations.

The city lacked adequate resources required for the upgrades without passing additional costs on to utility customers, and as a result, needed substantial financial help from external sources to keep the water utility system in operation and to avoid complete failure. Although a \$100,000 bond issue was approved by voters on November 3, 2009, bonds had not been issued and this funding alone would not provide adequate funds to repair or replace the system. The city had attempted to obtain public assistance grants and/or loans to fund water system upgrades, but lacked complete and accurate financial statements, an audit of financial activities,



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and a long-term capital improvement plan, all of which are typically required for public funding.

**Recommendation**

The Board of Aldermen prepare short-term and long-term plans that outline the repair/replacement project and funding sources for addressing all water system deterioration issues.

**Status**

**In progress**

The city water system has continued to deteriorate. In March 2012, the main water pump failed, cutting off the water supply to the entire city for approximately a week. According to city officials, insurance proceeds funded the repair costs. In May 2012, city officials signed a Consent Judgment with the Attorney General's Office for continued violations of the Missouri Safe Drinking Water Law. According to the judgment, the city will be required to remit civil penalties totaling \$1,457 and pay 2010 primacy fees totaling \$1,291 by July 19, 2012. Civil penalties totaling \$13,113 will be suspended upon the condition the city complies with the terms of the judgment, including bringing the public water system serving Lanagan into compliance with the Missouri Safe Drinking Water Law within the timetable described in the judgment.

**5.2 Adjustments**

City Clerk duties included all utility billing, receipting, and recording functions, as well as posting adjustments to the utility computer system without obtaining independent approval or adequate documentation to support the reason for the adjustments.

**Recommendation**

The Board of Aldermen require someone independent of the utility system review and approve all adjustments, and ensure adequate documentation is retained supporting such adjustments.

**Status**

**Implemented**

The Mayor and City Clerk indicated a water system adjustment report is provided to the Board of Aldermen at monthly board meetings for its review and approval.

**5.3 Water loss**

Critical information used to monitor the water system distribution efficiency was not always recorded, and the city had not documented efforts to resolve significant water losses. Although the computerized water billing system automatically compared the total water pumped to the total water billed to customers, monthly water system data to perform this calculation was not always recorded, or recorded correctly, in the water accounting system, and there was no documentation the Board investigated and resolved significant water losses.



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Recommendation	The Board of Aldermen ensure complete and accurate data is entered into the water accounting system to calculate the monthly water loss percentage and document any effort to resolve significant water losses.
Status	<b>Partially implemented</b>  According to the April 2012 water system report, 81 percent of the water supplied to the system was lost. City officials indicated this report is now presented to the Board of Aldermen monthly. The city is working with the Attorney General to repair the city's deteriorating water system (see follow up number 5.1).
5.4 Water rates	The city had not performed a review of water rates for several years, and documentation officials provided to support the last rate increase from 2008 was not adequate. Additionally, accounting records were not accurately maintained to provide the financial data necessary to calculate the cost of operating the water system. As a result, water rates may not have been sufficient to cover the costs of operating the system.
Recommendation	The Board of Aldermen perform a documented review of water rates periodically to ensure receipts are sufficient to cover all costs of providing these services.
Status	<b>Not implemented</b>  Water rates have not been reviewed. The Board indicated it intends to first address the deficiency of the system before reviewing the rate structure.
5.5 Refundable water deposits	Refundable water deposit monies were not properly restricted and were used to pay city expenses. Additionally, some water deposit monies received were deposited into the wrong bank account, some were not posted to the computerized utility accounting system, and some cash received for water deposits could not be traced to a bank deposit and was missing.  According to the water deposit report for October 31, 2010, the city should have been holding at least \$14,225 in refundable water deposits; however, the balance of the Water Deposit Fund bank account at that date was only \$4,052, a difference of \$10,173.  A limited review of water deposit records revealed that not all payments for refundable water deposits were properly posted to customer accounts and therefore, were not included in the water deposit report total of \$14,225 noted above.
Recommendation	The Board of Aldermen develop a plan to repay the Water Deposit Fund bank account, review water deposit records to ensure all monies received were deposited and posted to the appropriate customer account, and prepare





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an accurate list of water deposits held and reconcile the list monthly to monies in the Water Deposit Fund bank account. Any discrepancies should be investigated and resolved.

Status

**Not implemented**

Restricted refundable water deposit monies continue to be used improperly to finance city operations. While the Board approved in December 2011 to begin repaying the Water Deposit Fund, \$3,000 was paid from the fund for trash service on March 2, 2012, leaving only \$433 in the account.

5.6 Delinquent accounts

Penalties were not always properly assessed on delinquent water and trash accounts in accordance with city ordinance.

Recommendation

The Board of Aldermen ensure penalties are assessed on delinquent water and trash accounts in accordance with city ordinance.

Status

**Not implemented**

According to the water system accounts receivable report for April 2012, penalties are still not calculated in accordance with city ordinance, and several customer accounts are significantly past due, including the Mayor's account with a balance due of \$345.

6. City Disbursements

Controls and procedures over city disbursements were in need of significant improvement.

6.1 Trash service

The city failed to solicit bids for trash services, did not have an adequate written agreement with the trash service vendor, and was delinquent in paying for this service.

Recommendation

The Board of Aldermen solicit bids periodically for trash services, maintain a signed agreement with the trash service vendor detailing city commission amounts, document the calculation of the fees paid, and determine the amount of delinquent charges and remit unpaid amounts to the trash service vendor timely.

Status

**Not implemented**

City officials indicated the current trash contract will expire in July 2012, and they plan to solicit bids for these services and revise the contract at that time. The city has not made timely payments to the trash vendor. In February 2012, the trash vendor notified the city that residential trash services would be discontinued unless \$4,025 was paid on the \$10,250 owed. The city paid \$3,000 from customer refundable water deposits to maintain trash service. At April 30, 2012, the city owed \$8,450 to the trash vendor.



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6.2 Water sales tax

Procedures were not in place to ensure the amount of quarterly sales tax was properly calculated and remitted to the DOR.

Recommendation

The Board of Aldermen compare quarterly sales tax returns to amounts charged and collected per the computerized water billing system and investigate any differences.

Status

**Not implemented**

The city discontinued remitting sales taxes collected on water sales to the DOR. As a result, liens have been filed by the DOR (see follow up number 3).

6.3 Supporting  
documentation

Adequate supporting documentation was not maintained for many city disbursements. Of 25 disbursements reviewed, we identified 11 without adequate supporting documentation. Additionally, procedures were not in place to document receipt of goods and services and to cancel invoices when payment was made. Further, the city failed to retain adequate documentation to support the use of approximately \$55,000 in federal and state grant monies.

Recommendation

The Board of Aldermen maintain adequate supporting documentation for all disbursements. Such documentation should be clearly marked as paid to avoid duplicate payments and receipt of goods or services should be indicated. In addition, the Board of Aldermen should ensure documentation related to state and federal grant funds is retained by the city.

Status

**Implemented**

The City Clerk has established files for paid vendor invoices.

6.4 Approval process

The Board of Aldermen did not have adequate controls over the approval process for disbursements. Additionally, the list of bills approved each month was not complete, and a comparison of this list to actual checks written was not performed. Further, the Board routinely approved a total amount of bills to pay that exceeded the available cash balance.

Recommendation

The Board of Aldermen ensure the list of bills to be paid is complete and accurate and adequate funds are available to pay amounts approved, and compare checks written to the list of bills approved for payment.

Status

**Not implemented**

The list of unpaid bills provided to the Board of Aldermen monthly is incomplete, and the Board continues to approve an amount to pay that exceeds the city's available cash balances. There was no documentation to indicate that checks written are compared to bills approved for payment.



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6.5 Engineering services	The city contracted with an engineering firm in June 2009 and then renegotiated the contract in April 2010, without documentation of the evaluation and consideration of other firms.
Recommendation	The Board of Aldermen comply with state law regarding the selection of engineering services.
Status	<b>Implemented</b>  The city solicited proposals for engineering services and contracted with a firm for services related to the city's deteriorating water system.
6.6 Late fees, overdraft fees, and financial charges	Bills were not paid timely and late fees and/or finance charges were often incurred. In addition, city bank accounts were overdrawn on several occasions incurring overdraft fees.
Recommendation	The Board of Aldermen implement procedures to ensure bills are paid timely and bank account balances are properly monitored to avoid late fees, finance charges, and bank overdraft fees.
Status	<b>Not implemented</b>  Bills are not paid timely, and the city continues to overdraw bank accounts and incur overdraft fees.
7. Restricted Funds	Expenses were not properly allocated among city funds, and law enforcement training (LET) fees were not properly restricted to training related expenses.
7.1 Allocation of expenses	No documentation was maintained to support the allocation of expenses among funds.
Recommendation	The Board of Aldermen properly allocate expenses among city funds and maintain documentation to support the allocation.
Status	<b>Not implemented</b>  Although expenses for various city activities are uniquely coded in the computerized accounting system, documentation is not maintained to support the allocation. Additionally, the city transfers monies as needed from the Water Fund account to the General Fund account without regard to the amount of water related disbursements made from the General Fund.
7.2 Law enforcement training fund	LET monies were not always used for purposes allowed by state law.



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Recommendation	The Board of Aldermen ensure LET funds are expended in accordance with state law.
Status	<b>Partially implemented</b>  Only one disbursement was made from the LET account between January 1, and April 30, 2012, which appears to be training related; however, LET fees of \$170 were credited to the General Fund instead of the LET Fund.
10. Financial Statements, Budgets, and Audits	The city did not comply with state law regarding financial reporting and budgeting. In addition, the city did not have annual audits.
10.1 Financial statements	The city failed to publish semi-annual financial statements for the 6 months ended December 31, 2010, and financial statements published for other time periods contained errors and were incomplete. Additionally the city had not submitted annual financial statements to the State Auditor's office since 2007.
Recommendation	The Board of Aldermen ensure complete and accurate financial statements are published and submitted to the State Auditor's office as required by state law.
Status	<b>Not implemented</b>  Although city officials prepared semi-annual financial statement for the 6 months ended December 31, 2011, the financial statements did not include fund balances and city indebtedness, and were not published as required by state law. Further, no report has been filed with the State Auditor's office.
10.2 Budgets	City budgets did not comply with state law. The budgets did not include the beginning and estimated ending cash balances, and did not include actual receipts and disbursements for the 2 preceding years. Additionally, the budgets did not include indebtedness. Further, the 2010 budget for the General and Fire Funds reflected budgeted deficit fund balances of \$27,921 and \$18,686, respectively.
Recommendation	The Board of Aldermen ensure budgets comply with state law.
Status	<b>Partially implemented</b>  The 2012 budget included actual receipts and disbursements for the 2 preceding years, but did not include beginning and ending estimated cash balances. Additionally, the budget did not include indebtedness of the city or the receipts and disbursements related to residential trash services.



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### 10.3 Annual audits

The city did not obtain an annual audit. While an annual audit is not required by law, an audit of city funds would help ensure financial transactions are properly recorded and monies are accounted for properly. Additionally, an audit of the water fund may assist the city in obtaining outside funding sources to improve the water system. Further, considering the significant problems identified in the audit report, an annual audit of city funds should be considered by the Board of Aldermen.

#### Recommendation

Consider obtaining annual audits.

#### Status

##### **Not implemented**

No effort has been made to obtain an audit of the city.

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### 11. Ordinances and Meetings

Improvement was needed with ordinances, and the city did not always ensure compliance with the Sunshine Law.

#### 11.1 Ordinances

Significant problems were noted with procedures for establishing and maintaining ordinance records.

- A complete orderly set of ordinances was not maintained, and ordinances were not properly updated. Some ordinances could not be located, and some ordinances were not properly signed and dated.
- The city had not adopted ordinances to adequately establish guidelines for operation of the fire department and cemetery. Varying amounts were collected by the city for fire dues and cemetery plot sales, and these fees were not established by ordinance.
- The rate charged to customers for trash pick-up was not set by ordinance.

#### Recommendation

The Board of Aldermen maintain a complete updated set of city ordinances in an organized manner and adopt ordinances addressing the operation of the fire department and cemetery, and an ordinance setting the rate for trash pick-up services.

#### Status

##### **Not implemented**

City officials indicated that because of the city's poor financial condition, monies have not been available to continue codifying the ordinances. Additionally, new ordinances have not been approved to address issues identified in the audit report.

#### 11.2 Meetings

Procedures for complying with the Sunshine Law and maintaining minutes of meetings needed improvement.



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City of Lanagan  
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- Meeting minutes were not always sufficient to demonstrate how some issues discussed in closed meetings were allowable under the Sunshine Law.
- Open meeting minutes did not record a roll call vote of the Board of Aldermen to enter into closed session.
- Some open meeting minutes did not include the time and place of the meeting.
- Meeting minutes were not always prepared and approved in a timely manner.
- Meeting minutes were not always filed in an organized manner. Some minutes were not filed in date order, making it difficult to ensure the city had minutes for all Board of Aldermen meetings.
- No records were maintained of meetings held by the park, fire, or cemetery committees.

## Recommendation

The Board of Aldermen limit discussions in closed meetings to only those specifically allowed by law and record roll call votes to enter closed session in open meeting minutes. Additionally, the Board of Aldermen should ensure meeting minutes are properly and timely prepared and approved for all meetings (including committee meetings), and filed in an orderly manner.

## Status

### **Partially implemented**

Procedures for complying with the Sunshine Law have not improved. A roll call vote of the Board of Aldermen to enter into closed session or specific reason for entering into closed session is not recorded. Some topics discussed in closed session may not be allowable under the Sunshine Law. For example, the Board discussed and voted to reduce the working hours of city employees due to the city's financial condition in closed meetings. Meeting minutes are now prepared and approved for all meetings and filed in an orderly manner.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## City of Mountain Grove

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July 2012

Report No. 2012-70



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<http://auditor.mo.gov>

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# City of Mountain Grove

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
Mountain Grove, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-106, *City of Mountain Grove*, issued in November 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the city prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed reports summarizing the status of our recommendations, and supporting documentation submitted by city officials. We also met with city representatives and discussed the status of significant findings and any corrective action taken with regards to the recommendations. Some of the documentation reviewed included various financial reports and accounting records, meeting minutes, contracts, and the city's published financial statements. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

Thomas A. Schweich  
State Auditor

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# City of Mountain Grove

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Financial Condition and Monitoring

The fund balance of the General Fund was declining and the Board of Aldermen did not receive timely and complete financial information to adequately monitor the city's financial condition.

Several factors contributed to the decline in the General Fund, including operating losses of the Randel-Hinkle Municipal Golf Course and the Dora White Community Center (senior center), and increased health insurance costs associated with the city self insurance fund. However, financial information provided to the Board of Aldermen was not timely, and did not include a complete and detailed accounting of the operating losses incurred by the golf course and senior center. As a result, it was difficult for the Board to monitor the city's financial condition.

Additionally, the Transportation Fund reflected a negative fund balance of approximately \$140,000 at June 30, 2011, that was covered by a transfer from the Capital Improvement Sales Tax Fund. The city did not maintain supporting documentation of capital improvement related expenses paid from the Transportation Fund to ensure this transfer was appropriate.

#### Recommendation

The Board of Aldermen ensure timely and complete accounting information is received and reviewed for all city funds and monitor cash balances and financial condition. Additionally, the Board of Aldermen should ensure transfers between funds are supported by adequate documentation, and periodically review operations of the city to ensure activities are operated efficiently and continue to be in the best interest of the city.

#### Status

##### **In progress**

City personnel are now preparing various monthly financial reports, and the Board of Aldermen has requested to see these reports quarterly. However, financial reports are not prepared for city operations, such as the golf course or senior center, that provide for the determination of an operating gain or loss.

The city has not prepared documentation to support the appropriateness of the \$140,000 transfer from the Capital Improvement Sales Tax Fund to the Transportation Fund on June 30, 2011; however, city personnel indicated documentation would be maintained for future transfers.

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#### 2. Budgets and Financial Reporting

The city did not comply with state law related to budget preparation, budget amendments, and published financial statements.

##### 2.1 Budget Preparation

Annual budgets did not contain all elements required by state law. Budgets for the years ended June, 30, 2011 and 2010, did not include actual revenues and expenditures for the 2 preceding years, or beginning and estimated



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ending cash balances. The budgets only included budgeted revenues and expenditures for the prior 2 years.

**Recommendation**

The Board of Aldermen prepare annual budgets that contain all information as required by state law.

**Status**

**In progress**

The City Administrator provided us with the budget format to be used by the city which includes actual revenues and expenditures for the 2 preceding years, and beginning resources taken from monthly financial information which is now prepared.

**2.2 Budget Monitoring**

The Board of Aldermen did not adequately monitor budget to actual revenues and expenditures. As a result, budget amendments for some city funds were approved after year end, and the city exceeded budgeted appropriations for most city funds.

While the Board of Aldermen was periodically provided certain financial information at its meetings, the Board did not regularly request or was not provided financial information to properly monitor actual expenditures compared to budgeted amounts.

**Recommendation**

The Board of Aldermen obtain adequate financial information monthly and properly monitor actual expenditures compared to budgeted amounts. Also, the Board of Aldermen should ensure expenditures do not exceed budgeted appropriations.

**Status**

**Implemented**

Monthly budget to actual financial statements are now prepared by the City Clerk and reviewed by the City Administrator. The Mayor and a Board member indicated the Board also reviews these reports quarterly.

**2.3 Financial Reporting**

While state law required the city to publish financial statements at the end of each 6 month period, the city only published annual financial statements for the years ended June 30, 2009 and 2010. In addition, these financial statements were each published approximately 12 months after year end. The financial statements that were published did not specify whether beginning and ending balances were cash or fund balances. Further, the city only published the total revenues and expenditures for each fund instead of a detailed account of receipts and expenditures, and the published financial statements for the year ended June 30, 2010, did not include the indebtedness of the city.



City of Mountain Grove  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Recommendation**

The Board of Aldermen ensure semiannual financial statements are published which present complete and detailed financial information, as required by state law.

**Status**

**Partially implemented**

A financial statement was published in February 2012, for the 6 months ended December 31, 2011, which included outstanding debt and specifically indicated ending balances were fund balances; however, the financial statement did not contain a detailed account of receipts and expenditures.

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**3.1 Bidding**

The city bid policy was not followed for several purchases, and the bid policy did not include procedures to be followed in instances of sole source procurement. In addition, bidding procedures used for some purchases did not comply with city policy.

**Recommendation**

The Board of Aldermen ensure bids are solicited for all applicable purchases in accordance with city ordinances and sufficient documentation is maintained. In addition, the Board should consider expanding the purchasing policy to address sole source purchases.

**Status**

**Implemented**

The Board passed a new ordinance in December 2011, which amended the procurement policy to require bids for supplies and contractual services when the estimated cost exceeds \$5,000. The new ordinance requires due notice of bids be published in a local newspaper and provides for an exception when there is a single source or no source within the city.

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**4.1 Contracts**

The city contracted with several entities, such as the Ozarks Family YMCA, the Mountain Grove Chamber of Commerce, and the Mountain Grove Central Business District Association, to provide services for the public; however, the contracts did not adequately protect the financial interests of the city. The contract with the YMCA did not include clauses related retaining fees or providing proof of liability insurance. The contracts with the previously noted entities did not include provisions for the entities to provide documentation on how city funds were spent.

**Recommendation**

The Board of Aldermen ensure future contracts address who will receive fees charged for services, require proof of liability insurance when applicable, and provide for periodic reporting to ensure all contractual obligations are met and city funds are accounted for properly.

**Status**

**In progress**

The City Administrator provided a copy of the draft agreement with the Mountain Grove Chamber of Commerce which contained a detailed



City of Mountain Grove  
Follow-up Report on Prior Audit Findings  
Status of Findings

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breakdown by amount of how monies received from the city are to be spent and requires detailed documentation from the Chamber of the expenditure of the funds with dates, check numbers, payee, and amounts. The City Administrator indicated agreements with other entities will be similar and will take effect after the prior agreements expire on July 1, 2012.

## 4.2 Lease Contracts

The city leased property to the Arts Council, the Pregnancy Resource Center, and the Tri-County Fair with no lease payments required. Two of these lease contracts did not document any benefit to be received by the city, and one lease was not in writing. Additionally, the city owned two houses that were leased to individuals for \$100 and \$200 monthly without written lease agreements outlining the terms of the lease and without documentation to support the reasonableness of the monthly rent amount.

## Recommendation

The Board of Aldermen evaluate leasing property without a documented financial or service benefit to the city, and enter into written contracts/agreements defining services provided and benefits received. In addition, the Board of Aldermen should ensure documentation is maintained to support how the monthly rent amount is determined and its reasonableness.

## Status

### **In progress**

When contracts are renewed on July 1, 2012, the City Administrator indicated contracts for all properties leased from the city will be in writing, document the benefit to the city of the lease, require adequate liability insurance, and be based on fair market value. The city no longer rents the two houses it owns but indicated that if they are rented in the future, it will be to a not-for-profit organization providing a benefit to the general public.

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## 6.1 Golf Course Pro Shop

The golf course pro shop was a private business operated on city property at city expense. The business was owned by the Golf Club House Manager, a city employee. There was no written agreement between the city and the Golf Club House Manager for operation of the pro shop. The business was operated with the help of other city employees, and the city required no rent payment, paid utilities and insurance for the pro shop, and had not solicited proposals for its operation. Further, the amount of city employee time spent to operate the pro shop was not tracked.

## Recommendation

The Board of Aldermen evaluate the current arrangement of allowing the Golf Club House Manager to operate the pro shop as a private business, and if the city decides to continue this arrangement, enter into a written agreement establishing appropriate terms for the operation of the business on city property. Further, the Board should cease using city resources to subsidize the operation of the privately owned pro shop and periodically solicit proposals for the operation of the pro shop, if it is to continue being operated as a private business.



City of Mountain Grove  
Follow-up Report on Prior Audit Findings  
Status of Findings

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Status

**Implemented**

The pro shop is no longer operated as a private business but is now owned and operated by the City of Mountain Grove.

6.2 Golf Course Receipts

Concerns were noted regarding golf course procedures related to receipts. Receipts of the pro shop, a private business, were comingled with city receipts, and the city did not receive adequate documentation of daily receipt activity at the golf course. Additionally, the cash register did not account for the composition of receipts or assign receipt or transaction numbers, and golf course monies were not transmitted to the city intact. When the pro shop had credit card sales, an equal amount of cash was taken out of the monies to be transmitted to the city, and the city paid the credit card company fees.

Recommendation

The Board of Aldermen require copies of all daily reports and register tapes from the golf course, evaluate the practice of allowing the Golf Club House Manager to withdraw city cash receipts for pro shop credit card transactions, ensure the composition of all receipts is indicated, and evaluate the possibility of adding receipt/transaction numbers to the cash register at the golf course to properly account for all transactions.

Status

**Implemented**

Daily reports of golf course activity are now submitted to City Hall, and a new cash register was purchased for the golf course which records a transaction number for each receipt as well as its composition. Comingling golf course receipts with pro shop receipts is no longer a problem as the pro shop is now operated by the City of Mountain Grove.

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9.1 Meeting Minutes

Closed meeting minutes did not include sufficient detail of matters discussed. Further, no minutes were taken for a budget workshop held by a quorum of the Board in a conference room off the back of Council Chambers on July 5, 2011. Due to lack of documentation, it was unclear whether the workshop was an open meeting.

Recommendation

The Board of Aldermen ensure closed meeting minutes contain sufficient detail of all significant matters discussed and minutes are maintained for all meetings of the Board of Aldermen, including workshops.

Status

**Implemented**

The city provided copies of minutes of all closed meetings since our audit report was issued which included detail of significant matters discussed. No budget workshops of the Board have been held since the issuance of our audit report.



# Thomas A. Schweich

Missouri State Auditor

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## Chariton County



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July 2012

Report No. 2012-69

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Chariton County

Payroll	Compensatory leave earned by Sheriff's deputies is not calculated in accordance with county personnel policies and is not in compliance with the Fair Labor Standards Act. Audit staff reviewed payroll records for 5 months and found that 107.5 hours of compensatory time were awarded when only 1.5 hours were actually earned based upon county personnel policies. The Sheriff's office does not conduct an adequate review of deputy timesheets and vacation and sick leave, and the County Clerk does not maintain a record of accumulated leave and compensatory time for Sheriff's office employees.
Sheriff's Controls and Procedures	As noted in our prior audit report, neither the Sheriff's department nor the county has formally analyzed whether it is using the most cost-effective means of providing prisoner meals. Decreases in the average number of daily prisoners have resulted in an increase in cost per meal from \$9.50 per day in 2004 to \$35.00 per day in 2011. In addition, procedures to track the location of seized property and evidence are not adequate.
County Procedures	The County Commission does not maintain adequate, updated, official minutes of its meetings, and although noted in the prior two audit reports, the county personnel policy manual has not been updated since 1989.
Public Administrator's Controls and Procedures	The Public Administrator does not file some annual settlements and status reports with the Probate Division in a timely manner. Of the 34 annual settlements or status reports due during 2010 and 2011, 6 had not been filed as of February 2012 and 25 were filed late (9 more than 10 months late).
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.



In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

The county was awarded the following Federal Stimulus monies during the audit period:

A \$7,023 Emergency Watershed Protection Program grant, all of which was expended for levee repairs in Chariton Township.

A \$19,802 Homeless Prevention and Rapid Re-Housing Technical Assistance grant, \$12,395 of which was spent through a contract with the Missouri Valley Community Action Agency, \$223 of which was paid to the county for administrative fees, and \$7,184 of which expired.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Chariton County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Chariton County

We have audited certain operations of Chariton County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Chariton County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Chariton County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Julie A. Moulden, MBA, CPA
Audit Staff:	Nathaniel Fast, M. Acct., CPA
	Richard Mosha, MBA

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# Chariton County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Payroll**

Compensatory leave earned by Sheriff's deputies is not in compliance with county policy or the Fair Labor Standards Act of 1938 (FLSA). In addition, the review of deputy timesheets is not adequate, and the County Clerk does not maintain centralized records of vacation and sick leave and compensatory time for Sheriff's department employees.

##### **1.1 Compensatory time**

Compensatory leave earned by Sheriff's department deputies is not calculated in accordance with county personnel policies and is not in compliance with the FLSA. County personnel policies provide that Sheriff's deputies will accrue compensatory leave for any time worked over 171 hours during a 28 consecutive day period; however, the Sheriff's department currently awards compensatory time to deputies who work more than 8 hours per shift.

Current policy is also not in compliance with the FLSA since the Sheriff awards compensatory time as straight time off when the FLSA requires the county provide compensatory time at time and one-half. In addition, current policy allows deputies to accrue a maximum of 480 hours of compensatory time while the FLSA only allows law enforcement officers to accrue a maximum of 240 hours of compensatory time.

We reviewed payroll records of deputies for March and April 2010 and August through October 2011, and determined that compensatory time of 107.5 hours was awarded when compensatory time of only 1.5 hours was actually earned if calculated based on county personnel policies.

Compliance with county policy and the FLSA is necessary to limit any potential liability for compensatory time not properly earned.

##### **1.2 Payroll oversight**

An adequate review of deputy timesheets and vacation and sick leave records was not performed by the Sheriff's office. In addition, the County Clerk does not maintain a record of accumulated leave and compensatory time for Sheriff's office employees. As a result, a review of the Sheriff's payroll records for March and April 2010 and August through October 2011 identified multiple errors on timesheets related to total hours worked, vacation accrued, and compensatory time earned.

Without an adequate review process, the county cannot ensure payroll and leave records are in agreement, leave and compensatory time is properly computed, compliance with the county personnel policies manual, and errors are detected and corrected timely. Having the County Clerk maintain centralized leave and compensatory time records of all county employees helps ensure county policy is properly followed, and all leave and compensatory time records are complete and accurate. Centralized records also limit the potential for disputes over liabilities for employees leaving county employment, and demonstrate compliance with the FLSA.



Chariton County  
Management Advisory Report - State Auditor's Findings

## Recommendations

The Sheriff and the County Commission:

- 1.1 Ensure compensatory leave is computed for law enforcement officers in compliance with the FLSA, and ensure county policy is modified to reflect FLSA standards.
- 1.2 Adequately review timesheets and leave records for accuracy and provide timesheets and leave information to the County Clerk for leave balance and compensatory time tracking.

## Auditee's Response

*The Sheriff provided the following written response:*

- 1.1 *I met with the County Commission to discuss county policy for Chariton County deputies. We discussed several options and they will set new policy in the near future and the Sheriff's Office will follow said policy. It is my understanding that the Commission will change the county policy to reduce the maximum compensatory time to be consistent with FLSA. The Sheriff's Office will follow county policy when established.*
- 1.2 *A new computer program has been established to follow and keep a complete listing of sick, vacation, and compensatory time. This will be forwarded to the County Clerk on a monthly basis.*

*The County Commission provided the following written responses:*

- 1.1 *The county personnel policy will be changed to comply with FLSA standards.*
- 1.2 *The Sheriff has agreed to provide records to the County Clerk who will track leave balances and compensatory time for employees in the Sheriff's department.*

## 2. Sheriff's Controls and Procedures

No cost analysis has been performed to determine the most cost effective method of providing prisoner meals, and procedures for seized property in the Sheriff's office are not adequate.

### 2.1 Prisoner meals

As was noted in our prior report, neither the Sheriff's department nor the county has formally analyzed whether the current method of providing prisoner meals is the most cost effective. Decreases in the average number of daily prisoners in the county jail have resulted in significant increases in the per-meal cost to feed county prisoners. The average daily number of prisoners held in the county jail has decreased from 21 in 2004 to 6 in 2011. As a result, the average cost to provide meals to each prisoner has increased from approximately \$9.50 per day in 2004, to \$35 per day in 2011.



## Chariton County Management Advisory Report - State Auditor's Findings

The county provides prisoner meals by purchasing food supplies from a local vendor and having two full-time cooks prepare and serve daily meals at the county jail. During the year ended December 31, 2011, the county spent approximately \$36,223 on food supplies for the jail. Additionally, the county spent approximately \$39,366 on labor costs associated with the preparation of these meals.

A cost analysis would allow the Sheriff's department and the County Commission to determine if expenditures for prisoner meals are reasonable or if there are more cost effective alternatives available for providing prisoner meals.

### 2.2 Seized property

Procedures in place to track the location of seized property and evidence are not adequate. Our review of the manual log of seized property and evidence determined the log did not always document the accurate storage location of property/evidence. In addition, evidence bags did not always document the case number associated with the evidence. Further, a physical inventory of all seized property has not been documented.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. Inventory control records and evidence bags should include information such as description, persons involved, current location, case number, date of seizure, and disposition of such property. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for properly.

### Recommendations

The Sheriff:

- 2.1 Consider whether the county might have other less costly alternatives for providing prisoner meals.
- 2.2 Require all seized property/evidence be properly recorded on evidence bags and the inventory control log. In addition, a periodic inventory should be taken and reconciled to the log.

### Auditee's Response

*The Sheriff provided the following written responses:*

- 2.1 *This has been a topic with the Sheriff's Office and Commission for several years. I will meet with Commission and discuss this issue.*
- 2.2 *I will change the procedures as per logging evidence in. I will require a case number prior to being logged into evidence. I will have the secretary leave an open case number on her desk each night in case of evidence being taken. I will do a monthly inventory of all evidence.*



Chariton County  
Management Advisory Report - State Auditor's Findings

*The County Commission provided the following written response:*

2.1 *The Commission and Sheriff have discussed alternative methods. The county will bid the food, although options are limited.*

### 3. County Procedures

The County Commission does not maintain adequate, updated official minutes of its meetings, and the county personnel policy manual has not been updated in many years. Both of these issues have been addressed in prior reports.

#### 3.1 Open minutes

The County Commission does not maintain adequate, updated official minutes of its meetings. While unofficial notes from the meetings are maintained by one of the commissioners, as of March 2012, the County Clerk has not entered the 2010 or 2012 minutes into the official record or submitted them to the County Commission for approval. A current, accurate record of commission proceedings would help the county demonstrate compliance with statutory provisions related to issues such as budget approval, the Sunshine Law, bidding, and purchasing decisions, and would also serve as a reference source should questions arise from the public, employees, contractors, etc. In addition, timely approval adds assurance to the accuracy of official minutes and allows a review of the contents to ensure the minutes include all important information regarding the meetings.

Section 610.023.2, RSMo, states that each public governmental body shall make that body's public records available for inspection and copying by the public. In addition, Section 51.120, RSMo, requires the County Clerk to maintain an accurate record of orders, rulings, and proceedings of the County Commission.

#### 3.2 Personnel policies

The county personnel policy manual has not been updated since 1989. Although the County Commission indicated in the prior two reports that it would begin updating the personnel policy manual, this has not been completed. During our review of the manual, we noted that policy changes, such as mileage reimbursement rates and county allowances, are not updated and are communicated to the various county offices verbally. In addition, policies regarding some significant areas, such as appropriate uses of county property and the Family Medical Leave Act are omitted.

An updated comprehensive personnel policy manual benefits both county officials and employees by providing a basic understanding between the parties regarding rights and responsibilities, provides guidance should questions or disputes arise, and helps ensure county policies are fairly and consistently applied to all county employees.





Chariton County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The County Commission:

- 3.1 Ensure a formal and complete record of commission meetings is made and approved on a timely basis.
- 3.2 Establish and formally adopt a current personnel policy manual and ensure it is updated periodically to reflect new or changed policies.

## Auditee's Response

*The County Commission provided the following written responses:*

- 3.1 *The county will ensure official minutes are kept.*
- 3.2 *The county will adopt an updated personnel policy which will be in compliance with state and federal laws.*

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## 4. Public Administrator's Controls and Procedures

Despite being provided with notices by the court that settlements are due, the Public Administrator does not file some annual settlements and status reports with the Probate Division in a timely manner in compliance with state law. The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Associate Circuit Court-Probate Division, and is responsible for the financial activity of approximately 20 individuals. Of 34 annual settlements or status reports due during 2010 and 2011, 25 were filed late and 6 had yet to be filed as of February 2012. Additionally, of the 25 cases that were filed late, 9 were more than 10 months late.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate within 30 days after the anniversary of the appointment and each year thereafter until the final settlement. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

## Recommendation

The Public Administrator establish procedures to track when each annual settlement is due to the Probate Division. In addition, the Public Administrator should work with the Probate Division to establish procedures to ensure annual settlements and annual status reports are submitted in accordance with state law.

## Auditee's Response

*The Public Administrator provided the following written response:*

*I will catch up on my late settlements and try my best to get my settlements in on time in the future.*

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# Chariton County

## Organization and Statistical Information

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Chariton County is a township-organized, third-class county. The county seat is Keytesville.

Chariton County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 37 full-time employees and 7 part-time employees on December 31, 2011. The townships maintain county roads.

In addition, county operations include a Senate Bill 40 Board and the Domestic Violence Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Tony McCollum, Presiding Commissioner	\$	26,354
Ray Dowell, Associate Commissioner		24,354
Lawrence Gladbach, Associate Commissioner		24,354
Eric Stallo, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Susan Littleton, County Clerk		36,900
Bryan Scheiderer, Prosecuting Attorney		44,100
Christopher Hughes, Sheriff		40,500
Larry Breshears, County Coroner		11,700
Patti Yung, Public Administrator		20,000
Beverly Vasser, County Collector/Treasurer, year ended March 31,	37,508	
Darrin Gladbach, County Assessor , year ended August 31,		36,000

(1) Compensation is paid by the state.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to county personnel the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011:

An Emergency Watershed Protection Program grant was awarded to the county by the Natural Resources Conservation Service of the U.S.



Chariton County  
Organization and Statistical Information

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Department of Agriculture for \$7,023. These funds were expended for levee repairs in Chariton Township.

A Homeless Prevention and Rapid Re-Housing Technical Assistance grant was awarded to the county by the U.S. Department of Housing and Urban Development for \$19,802. The county contracted with the Missouri Valley Community Action Agency to expend this award. A total of \$12,395 was reimbursed to the agency, and an additional \$223 was paid to the county for administrative fees. The remaining amount of the grant has expired. The payments were made for technical assistance and training on programs administered by the agency.



# Thomas A. Schweich

Missouri State Auditor

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## Clark County



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July 2012

Report No. 2012-68

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Clark County

Financial Condition	As noted in our prior audit report, the General Revenue Fund and the 1/2 Cent Sales Tax-Jail Operations Fund remain in poor financial condition. The General Revenue Fund ending cash balance fell from \$168,375 in 2008 to \$20,164 in 2011, and the General Revenue Fund continues to subsidize the 1/2 Cent Sales Tax-Jail Operations Fund by more than \$200,000 per year.
County Procedures	County employees are not bonded. In addition, the County Assessor is not bonded as required by law. The county paid \$50,000 for four acres of land, but did not obtain an appraisal or explain how the purchase price was determined.
Sheriff Controls and Procedures	As noted in our prior audit report, weaknesses in accounting controls and procedures continue to exist in the Sheriff's office. Accounting duties are not adequately segregated, and the Sheriff does not review accounting records or monthly reconciliations. The Sheriff does not have proper controls to follow-up and ensure timely collection of amounts billed to other counties for the housing of inmates, so amounts due could remain uncollected. The Sheriff does not turn over commissary commissions and phone card profits to the County Treasurer, and the purchases made with these monies are not approved by the County Commission. The Sheriff charges inmates a \$4 booking fee, but, according to an Attorney General's opinion, there is no statutory authority to collect this fee. The Sheriff does not have written contracts with Lewis, Schuyler, and Scotland counties for the boarding of inmates. The Sheriff does not routinely follow up on outstanding checks for the inmate account.
County Sales Tax	In 2011, General Revenue property tax revenues were not sufficiently reduced by 50 percent of sales tax revenues, and excess property tax collections totaled approximately \$50,000.
Closed Minutes	The county did not always comply with the Sunshine Law. Reasons for closing meetings were not always documented, and the County Commission closed a meeting to discuss a construction bid for the new courthouse, which is not allowed to be discussed in closed session.
Computer Controls	The County Clerk, County Collector, County Assessor, County Recorder, and County Treasurer offices do not require computer passwords be changed periodically, and only the Treasurer's and Sheriff's offices have a security control to shutdown computers after inactivity and detect or prevent incorrect login attempts. Data is not backed up by the County Clerk or County Treasurer, and backup data maintained by other offices is not

always tested. The county does not have formal emergency contingency plans and has not made formal arrangements for the use of backup facilities in the event of a disaster or other disruption of services.

Capital Assets	Capital asset records are in need of improvement. The county does not have procedures to identify capital asset purchases and dispositions throughout the year, property is not tagged for specific identification, and the County Clerk does not request that annual physical inventories be performed.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	<p>The county was awarded the following Federal Stimulus monies during the audit period:</p> <p>Taxable general obligation bonds totaling \$4,000,000, made available through the Build America Recovery Zone Economic Development Bonds program, were issued by the county to build a new courthouse. The county had expended \$1,352,111 through December 31, 2011.</p> <p>A \$27,311 Recovery Act: Edward Byrne Memorial Justice Assistance Grant, all of which was received and expended to purchase a new vehicle and upgrades to an existing vehicle in the Sheriff's office.</p> <p>A \$3,678 Recovery Act: Edward Byrne Memorial Justice Assistance Grant, all of which was received and expended for purchasing vehicle equipment and body armor.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Clark County

We have audited certain operations of Clark County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Clark County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.



For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Clark County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Albert Borde-Koufie, MBA
	Janielle Robinett

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# Clark County

## Management Advisory Report

### State Auditor's Findings

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#### 1. Financial Condition

As noted in our prior audit report, the General Revenue Fund and the 1/2 Cent Sales Tax-Jail Operations Fund remain in poor financial condition. The following table reflects the ending cash balances of these funds over the last 4 years, as reported in the county's audited financial statements:

Fund	Ending Cash Balance, Year Ended December 31,			
	2011 Actual	2010 Actual	2009 Actual	2008 Actual
General Revenue	\$ 20,164	91,340	111,885	168,375
1/2 Cent Sales Tax-Jail Operations	8,590	(46,978)	(34,979)	(12,400)

The county historically budgets a \$0 ending cash balance in these funds. In 2011, the county settled a lawsuit involving a grant for the stabilization of the old courthouse. Settlement and legal costs paid by the county totaled \$30,486. In addition, property taxes have not been rolled back sufficiently resulting in approximately \$50,000 in over collection of property tax revenue as of December 31, 2011 (see MAR finding number 4). Also, the Sheriff's office lack of follow-up on board bills has resulted in up to \$35,580 in uncollected board bills (see MAR finding number 3). The commission approved a 5 percent cost of living raise to elected officials and county employees beginning in 2009. The increase for elected officials and employees resulted in approximately \$49,000 in additional annual salary costs.

In 2007, all funding for Sheriff's office operations were shifted to the 1/2 Cent Sales Tax-Jail Operations Fund; however, the General Revenue Fund continues to subsidize this fund with transfers totaling \$508,595 for the 2 years ended December 31, 2011. The county estimates \$238,707 will be transferred in 2012.

The County Commission indicated it is aware of the concern and is continually trying to reduce disbursements and maximize receipts currently generated as a result of the current economic downturn.

It is essential the County Commission address the situation both in the immediate and long-term future. To improve the financial condition of the county, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of county resources, and attempt to maximize all sources of revenue.

#### Recommendation

The County Commission closely monitor the county's financial condition and continue to take the necessary steps to improve the financial condition of the General Revenue Fund and the 1/2 Cent Sales Tax-Jail Operations Fund. The County Commission should perform long-term planning and take



Clark County  
Management Advisory Report - State Auditor's Findings

advantage of any opportunities to decrease disbursements and maximize revenues.

## Auditee's Response

*The County Commission provided the following response:*

*We agree with the finding and are aware of the financial condition of the county and will continue to monitor all of the county funds with particular emphasis on the General Revenue Fund and 1/2 Cent Sales Tax-Jail Operations Fund.*

## 2. County Procedures

The Assessor has not obtained bond coverage, and employees handling receipts are not properly bonded. In addition, the county does not obtain appraisals prior to purchasing real estate.

### 2.1 Bond coverage

County employees are not bonded. In addition, the County Assessor has not obtained bond coverage as required by state law. The County Assessor indicated she did not believe this bond was necessary because of the small amount of monies collected; however, Section 53.040, RSMo, requires bond coverage of at least \$1,000 for the County Assessor. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees and officials handling monies should be adequately bonded.

A similar condition was noted in our prior audit report.

### 2.2 Land purchase

The county did not obtain an appraisal for the purchase of land. As a result, there is no assurance the county paid fair market value for the land. On May 6, 2010, the county paid \$50,000 for four acres of land to construct a new Road and Bridge Department facility. The County Commission could not provide an explanation for making the purchase without obtaining an appraisal or how the \$50,000 sale price was determined.

Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid, and discussions and reasons supporting the eventual purchase are documented.

## Recommendations

The County Commission:

- 2.1 Evaluate the cost effectiveness of obtaining adequate bond coverage for all county employees and officials with access to monies.
- 2.2 Obtain appraisals before purchasing real estate.



Clark County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The County Commission provided the following responses:*

2.1 *We agree with the finding and will inquire with our insurance company regarding bond coverage for county employees handling monies.*

2.2 *We will obtain appraisals in the future.*

*The County Assessor provided the following response:*

2.1 *I will look into obtaining bond coverage.*

---

## 3. Sheriff Controls and Procedures

Weaknesses in accounting controls and procedures continue to exist in the Sheriff's office. The Sheriff's office processed approximately \$116,000 and \$124,000 during the 2 years ended December 31, 2011 and 2010, respectively.

### 3.1 Segregation of duties

Accounting duties are not adequately segregated. The Sheriff's office maintains three bank accounts: one clerk performs all duties related to the general account, and another clerk performs all duties related to the inmate account and the commissary commission account. Each clerk is responsible for receiving monies, maintaining accounting records, depositing and disbursing funds, and preparing month-end bank reconciliations. The Sheriff does not review accounting records or monthly reconciliations.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If adequate segregation cannot be achieved due to limited staff available, the Sheriff should implement a documented independent or supervisory review of the accounting records.

### 3.2 Accounts receivable

The Sheriff does not have proper controls to follow-up and ensure the timely collection of amounts billed to other counties for the housing of inmates. Due to poor record keeping, we were unable to determine an accurate accounts receivable balance. We noted \$35,580 of board bills which did not have a receipt slip attached or documentation indicating they had been paid, with several board bills dating back to 2007. The Sheriff's Department collected approximately \$214,000 in board bills for the 2 years ended December 31, 2011.

The jail secretary bills other counties based on the date of release of inmates. When payment is received, a copy of the receipt slip issued for the payment received is placed in the file; however, receipts are not matched with the bills in a timely manner. In addition, the Sheriff's office does not prepare a summary list of past due amounts and does not know how much is outstanding. Also, the Sheriff's office does not normally perform additional collection efforts such as follow-up phone calls or letters for unpaid bills.



## Clark County Management Advisory Report - State Auditor's Findings

For example, a board bill for Scotland County totaling \$350 for an inmate held from June 13, 2011, through June 23, 2011, was unpaid as of March 5, 2012, with no documented follow up performed. The Sheriff's office contacted Scotland County after we inquired about the bill, and payment was received on March 11, 2012.

Procedures to monitor and follow up on past due balances are necessary to ensure payment is properly received for the services billed. Failure to monitor unpaid amounts due may result in lost revenue.

### 3.3 Commissary commissions

The Sheriff maintains commissary commissions and phone card profits outside the county treasury and uses these monies to purchase items for the office and inmates. According to the Sheriff's office records, commissary commissions totaled \$3,247 and \$3,379, and phone card profits totaled \$418 and \$768 for the year ended December 31, 2011 and 2010, respectively. The commissions and profits are not turned over to the County Treasurer.

The purchases made with these monies are not approved by the County Commission and are not handled through the normal county procurement and budget process. As of December 31, 2011, the Sheriff's Commissary account had a reconciled bank balance of \$3,199.

All commissary commissions and phone card profits should be turned over to the County Treasurer monthly. There is no statutory authority for the Sheriff to hold these accountable fees and make disbursements outside the normal county procurement process.

### 3.4 Booking fee

A \$4 booking fee is charged to inmates when the Sheriff's office prepares board bills for county inmates. The Sheriff's office charged approximately \$1,100 in booking fees for the 2 years ended December 31, 2011. Attorney General's Opinion No. 124, 2009 to George, states there is no statutory authority for the Sheriff to charge a booking fee. Therefore, it appears the Sheriff does not have authority to collect these fees.

### 3.5 Contracts for services

The Sheriff's office has verbal agreements with Lewis, Schuyler, and Scotland Counties for the boarding of inmates at \$35 per day. Section 432.070, RSMo, requires the county to have all contracts in writing. Written agreements, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

### 3.6 Outstanding checks

The Sheriff does not routinely follow up on outstanding checks for the inmate account. As a result, at March 14, 2012, 90 checks totaling \$303 had been outstanding in the inmate account for over a year, with some dating back to 2009.



## Clark County Management Advisory Report - State Auditor's Findings

Follow up on outstanding checks is necessary to ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

Similar conditions  
previously reported

Similar conditions to sections 3.1, 3.2, 3.3 and 3.6 were noted in our prior audit report.

## Recommendations

The Sheriff:

- 3.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 3.2 Compare board billings and subsequent payments received on a regular basis to ensure payments are received timely and follow up on any unpaid amounts.
- 3.3 Disburse all commissary commissions and phone card profits in the commissary account to the County Treasurer and disburse all future commissions and profits to the County Treasurer monthly.
- 3.4 Discontinue charging and collecting booking fees.
- 3.5 And the County Commission enter into written agreements for the boarding of inmates.
- 3.6 Routinely follow up on outstanding checks. Old outstanding checks should be voided and reissued to payees who can be readily located. If payees cannot be located, the amount should be disbursed in accordance with state law.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 3.1 *Somewhat agree with your findings; however, the method we operate under works and we have had no issues of accountability and/or loss of accountability. All money is accountable, with no loss of money and spot checks are done by me, to ensure continued accountability is maintained.*
- 3.2 *Board bills with other counties, I do take responsibility for and my office does need to do a better job of accounting for money owed Clark County by other agencies as you recommended. Monthly checks of unpaid bills from surrounding counties will begin immediately and late notices will be sent to surrounding counties of unpaid debt.*



Clark County  
Management Advisory Report - State Auditor's Findings

- 3.3 *Your recommendation is being taken seriously and I am working with the Treasurer to turn over these funds through the normal county procurement and budget process immediately.*
- 3.4 *The \$4 booking fee was terminated as soon as your team identified this to be a discrepancy.*
- 3.5 *The need for written agreements for surrounding county's board bill costs has been made aware to the County Commission.*
- 3.6 *My Jail Administrator and I are working with the County Treasurer to follow her guidelines as to how and when this money will be turned over to her and the procedures we will follow to ensure proper disposition of all unclaimed money.*

*The County Commission provided the following response:*

- 3.5 *We are currently drafting contracts for the boarding of other counties' inmates and anticipate the process being completed within 30 days.*

## 4. County Sales Tax

In 2011, General Revenue property tax revenues were not sufficiently reduced by 50 percent of sales tax revenues. The County Clerk indicated she used incorrect numbers in her calculation of the roll back. Although the required property tax reduction was approximately \$147,000, the actual property tax revenue reduction was only \$97,000, resulting in excess property tax revenue collections of approximately \$50,000.

Section 67.505.3, RSMo, provides property taxes are to be reduced by voter approved percentages of sales tax revenue.

### Recommendation

The County Commission ensure appropriate adjustments are made to the levy in the future to reflect excess property taxes collected.

### Auditee's Response

*The County Commission and County Clerk provided the following response:*

*We agree with the finding and will review and monitor our procedures to ensure compliance.*

## 5. Closed Minutes

The County did not always comply with the Sunshine Law. The County Commission held 15 closed meetings during 2010 and 2011.

- Reasons for closing meetings were not always documented. During the 2 years ended December 31, 2011, the open meeting minutes did not include a reason for closing nine of the meetings.



## Clark County Management Advisory Report - State Auditor's Findings

- The County Commission closed a meeting on June 23, 2011, to discuss a construction bid for the new courthouse. The Sunshine Law does not allow this topic to be discussed in closed session.

Chapter 610, RSMo, provides the question of holding a closed meeting and the reason for the closed meeting be voted on in an open meeting. The law also provides guidance on which discussion topics and actions are allowable in closed meetings.

### Recommendation

The County Commission ensure items discussed in closed meetings comply with the Sunshine Law and ensure open meeting minutes document the reason and the corresponding vote for entering closed session.

### Auditee's Response

*The County Commission provided the following response:*

*We agree with the finding and will ensure we are in compliance with the Sunshine Law concerning closed meetings.*

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## 6. Computer Controls

Controls over county computer systems are not sufficient to prevent unauthorized access, or to restore key systems in the event of a disaster or systems failure. As a result, county records are unprotected and susceptible to damage or theft.

### 6.1 Users passwords

Passwords are not required to be periodically changed in the offices of County Clerk, County Collector, County Assessor, County Recorder, and County Treasurer. Changing passwords periodically limits access to data files and programs to only those individuals who need access for completion of job responsibilities, and reduces the possibility of unauthorized users.

### 6.2 Computer inactivity

A security control is not in place in any county offices, except for the Treasurer's and Sheriff's offices, to shut down computers after a certain period of inactivity and detect or prevent incorrect login attempts. As a result, unauthorized individuals could access an unattended computer and have unrestricted access to programs and data files. To help protect computer files, security controls should be implemented to shut down the system after a certain period of inactivity and to detect and prevent incorrect login attempts.

### 6.3 Backup data

Data is not backed up by the County Clerk or County Treasurer. In addition, backup data maintained by the other county offices is not always tested to help prevent loss of information and ensure all essential county information and computer systems can be recovered following a disaster or computer failure.

Preparation of backup data, preferably on a daily or at least weekly basis, periodic testing to ensure it is adequate, and off-site storage would provide increased assurance county data could be recreated if necessary.





Clark County  
Management Advisory Report - State Auditor's Findings

## 6.4 Contingency plan

The county does not have formal emergency contingency plans and has not made formal arrangements for the use of backup facilities in the event of a disaster or other disruption of services.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backups under various contingencies. The major benefit of a thorough contingency plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the degree of reliance on data processing, the need for contingency planning is evident.

Similar conditions  
previously reported

Similar conditions to sections 6.1, 6.2, and 6.3 were noted in our prior audit report.

## Recommendations

The County Commission:

- 6.1 Work with the County Clerk, County Collector, County Assessor, County Recorder, and County Treasurer to require passwords for all employees, which are confidential and periodically changed to prevent unauthorized access to the county's computers and data.
- 6.2 Work with the County Clerk, County Collector, County Assessor, County Recorder, and Prosecuting Attorney to establish a security control requiring computers to shut down after a certain period of inactivity.
- 6.3 Ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.
- 6.4 Work with county officials to develop formal contingency plans for the various computer systems.

## Auditee's Response

*The County Commission provided the following responses:*

- 6.1 *We do not believe this is a significant security threat for the County Clerk or County Treasurer.*
- 6.2 *We do not believe this is a significant security threat for the County Clerk.*
- 6.3 *We will back-up at least weekly.*



Clark County  
Management Advisory Report - State Auditor's Findings

6.4 *We will develop a disaster plan for the county as soon as all county offices have moved into the new courthouse in approximately 3 months.*

*The County Collector, County Assessor, and Recorder of Deeds provided the following response:*

6.1 *We will contact our IT vendor and implement this when we move into the new courthouse in approximately 3 months.*

*The County Collector, County Assessor, Recorder of Deeds, and Prosecuting Attorney provided the following response:*

6.2 *We will contact our IT vendor and implement this when we move into the new courthouse in approximately 3 months.*

## 7. Capital Assets

Capital asset records are in need of improvement. At December 31, 2011, county property, excluding buildings and vehicles, was valued at approximately \$2 million on the county insurance policy.

As noted in previous reports, procedures and records to account for county property are not adequate. The county does not have procedures in place to identify capital asset purchases and dispositions throughout the year. Property is also not tagged for specific identification. In addition, the County Clerk does not request annual physical inventories be performed by the various offices.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Proper tagging of county property items and specific identification of property locations are necessary to reduce the possibility of improper personal use of county property. Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

## Recommendation

The County Commission and the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained, annual physical inventories are conducted, and procedures are implemented for tracking capital asset purchases and dispositions throughout the year. In



Clark County  
Management Advisory Report - State Auditor's Findings

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addition, all capital assets should be adequately tagged and identified as county property.

## Auditee's Response

*The County Commission provided the following response:*

*We will develop an inventory form and ensure tags are affixed to all county owned property.*

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# Clark County

## Organization and Statistical Information

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Clark County is a county-organized, third-class county. The county seat is Kahoka.

Clark County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 53 full-time employees and 12 part-time employees on December 31, 2011.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Ronald Brewer, Presiding Commissioner	\$	25,662
Jerry Neyens, Associate Commissioner		23,562
Roger Sedore, Associate Commissioner		23,562
Mary D. Jones Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Leih Ann Hayden, County Clerk		35,700
John Moon, Prosecuting Attorney		43,050
Paul Gaudette, Sheriff		42,000
Roberta McAfee, County Treasurer		26,418
Edwin Wilson, County Coroner		9,975
Linda Shoup, Public Administrator		15,750
Michelle Allen, County Collector (2), year ended February 29, 2012	47,186	
Donna F. Oilar, County Assessor, year ended August 31, 2011		35,700

(1) Compensation is paid by the state.

(2) Includes \$11,486 of commissions earned for collecting drainage district and city property taxes.

### New County Courthouse

In February 2010, the county passed a 1/2-cent sales tax for 20 years for the purpose of constructing a new courthouse. The proceeds will be used to pay the principal and interest on taxable general obligation bonds of \$4,000,000 issued by the county for the project. The taxable bonds were issued as part of the Build America Recovery Zone Economic Development Bonds program which provides for 45 percent in federal reimbursements on the



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## Clark County Organization and Statistical Information

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total interest payments. The bonds are scheduled to be paid off in 2030. The remaining principal and interest due on the bonds at December 31, 2011, was \$4,000,000 and \$2,722,184, respectively. The county will receive \$1,224,983 in future federal reimbursements on the interest payments.

### Financing Arrangements

The county has entered into two lease purchase agreements for road and bridge equipment. At December 31, 2011, the balance of the leases totaled approximately \$99,000. Principal and interest payments are made from the 1/2-Cent Sales Tax-Road and Bridge Fund.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 (ARRA) funding during the 2 years ended December 31, 2011:

The county issued \$4,000,000 of taxable general obligation bonds as part of the Build America Recovery Zone Economic Development Bonds program. The bonds were authorized by ARRA and made available through the Missouri Department of Economic Development (DED). The DED allocated the bonds to Clark County after all Missouri counties had the opportunity to submit qualifying construction projects to the department. The bonds are being used to construct a new courthouse. The county has spent \$1,352,111 for the 2 years ended December 31, 2011.

A \$27,311 Recovery Act: Edward Byrne Memorial Justice Assistance Grant was awarded by the U.S. Department of Justice for purchasing a new vehicle and upgrades to an existing vehicle in the Sheriff's office. During the 2 years ended December 31, 2010, \$27,311 was received and expended by the Sheriff's office related to this grant.

A \$3,678 Recovery Act: Edward Byrne Memorial Justice Assistance Grant was awarded by the U.S. Department of Justice for purchasing vehicle equipment and body armor for the Sheriff's office. During the 2 years ended December 31, 2010, \$3,678 was received and expended by the Sheriff's office related to this grant.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Ray County



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July 2012

Report No. 2012-67

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<http://auditor.mo.gov>

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# Ray County

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Ray County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-49, *Ray County*, issued in September, 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the County about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the County, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we discussed the status of significant findings with relevant county officials and discussed any corrective action taken regarding our audit findings. Supporting documentation was reviewed when appropriate and necessary. This report is a summary of the results of this follow-up work, which was substantially completed during March 2012.

Thomas A. Schweich  
State Auditor



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# Ray County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Public Administrator Significant control deficiencies were identified, including a lack of supporting documentation for disbursements, inadequate oversight of disbursements, and signing checks in advance.

1.1 Oversight The Public Administrator did not adequately review all supporting documentation for disbursements and annual settlements. As a result, \$26,561 was disbursed from a ward's account without adequate documentation. The Public Administrator established a petty cash fund for miscellaneous disbursements on behalf of the ward. An external company provided in home care for the ward, and an employee of the company managed the disbursements of the petty cash fund. The Public Administrator disbursed \$27,530 during the 3 years ended December 31, 2010, in checks made payable to the employee of the contracted company for the stated purpose of replenishing the petty cash fund and for other miscellaneous expenses such as groceries and travel expenses. Checks for disbursements for this ward were prepared by the Deputy Public Administrator. Based on our review, only \$969 in expenses were supported by receipts.

The Public Administrator also said it was his deputy's responsibility to obtain and review supporting documentation for disbursements, and he did not have sufficient time to review supporting documentation for disbursements while signing checks. The Deputy Public Administrator was terminated on June 13, 2011, when criminal charges for theft and forgery were filed against her. In addition, while the Public Administrator stated he reviews approximately 95 percent of the annual settlements, he did not review the annual settlements of the two wards with the most assets, which included the ward discussed above.

Recommendation The Public Administrator review and approve all disbursements and ensure they are supported by adequate documentation to verify the authenticity and necessity of disbursements. In addition, the Public Administrator should review all annual settlements and document all reviews.

Status **Implemented**

The Public Administrator indicated he is now reviewing all expenditures of all wards assigned to him. The expenditures of the ward in the finding are now tracked and receipts are kept by the home health agency and then reimbursed by the Public Administrator. Supporting documentation is now required for all disbursements.

1.2 Blank Checks The Public Administrator indicated there were occasions when blank checks were signed in advance. If a blank check was signed in advance, the Deputy Public Administrator was trusted to complete the check.

Recommendation The Public Administrator discontinue the practice of signing checks in advance.



Ray County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Status**

**Implemented**

The Public Administrator indicated that although it makes it difficult to serve his wards on occasion, the practice of signing blank checks is no longer in use.

**2.1 Sheriff Annex**

The Sheriff's annex and public resources appeared to have been utilized for personal purposes. Based on anonymous tips stating the Sheriff had been living in the annex, auditors requested to see the inside of the facility. After being initially denied, auditors were allowed access to the facility where they observed a significant number of personal items. In addition, auditors verified the annex received satellite television service, including premium programming. The Sheriff denied living in the annex and said he was only storing personal items to be given away and used the annex as a place to sleep during inclement weather. The Sheriff also stated the satellite television service was to receive news and weather. Auditors observed some Sheriff's records and a limited amount of evidence being stored in the annex. The Sheriff also said he used the annex to conduct training and meetings, as a backup 911 dispatch center, and a place where deputies could eat lunch.

**Recommendation**

The Sheriff use the annex and other county resources for official county business only.

**Status**

**Implemented**

The annex continues to be in the same condition it was when auditors observed it during the audit. The Sheriff contends he was never living in the annex. However, to eliminate any potential issues, rent for the annex and satellite dish bills are no longer paid out of county funds, but are paid from the Sheriff's personal funds. During the follow-up visit, auditors verified with the County Treasurer that the county was no longer making payments for rent or the satellite dish.

**2.2 Sheriff Receipts and Deposits**

The Sheriff had not developed adequate controls and procedures to ensure the accuracy of deposits and accounting records.

- The Sheriff did not issue receipt slips for most inmate monies. As a result, a reconciliation of the composition of receipts to deposits could not be performed.
- Inmate monies were recorded on an inmate log and an inmate account record. If an inmate was released from jail prior to their monies being deposited, the Sheriff did not document the return of these monies. Therefore, during our review of cash on hand, the Sheriff could not demonstrate the amount that should have been on hand.



Ray County  
Follow-up Report on Prior Audit Findings  
Status of Findings

- Deposits of inmate monies were not always made intact. A February 17, 2011, cash count identified \$813 on hand that should have been deposited with the previous deposit. The Sheriff's office only deposited checks, not cash, in the previous deposit.
- Change funds were not maintained at an established level.

**Recommendation**

The Sheriff issue pre-numbered receipt slips for all inmate monies received, reconcile the composition of receipts to deposits, deposit all monies intact, and document all monies returned to inmates. The Sheriff should also maintain change funds at an established level.

**Status**

**Partially implemented**

Receipt books are now in use and all prisoner monies are receipted, including composition, and deposited timely. On our follow-up visit receipt slips were observed and compared to cash on hand. A deposit had been made the previous business day and receipt slips had been properly completed for all monies received. However, the Sheriff's clerk was not reconciling the composition of the receipts to the deposit. Monies returned to inmates prior to deposit are now documented on the receipt slip, and a change fund is no longer maintained.

**3. Financial Condition and Budgets**

The General Revenue Fund was in poor financial condition. Also, budgets were not approved timely and expenses were incurred prior to a final approved budget.

**3.1 Financial Condition**

The General Revenue Fund was in poor financial condition. While General Revenue Fund receipts increased annually from 2008 to 2010, and were anticipated to increase in 2011, disbursements exceeded revenues by \$228,649 from 2008 to 2010, resulting in a decline in the General Revenue Fund balance.

**Recommendation**

The County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.

**Status**

**In progress**

The county ended 2011 with a General Revenue Fund balance of approximately \$87,000, which is \$45,000 higher than the original budget estimate. The commission has taken action to reduce expenditures in 2012. Although the budgeted 2012 ending General Revenue Fund balance reflects a slight increase from the actual 2011 ending balance, total estimated revenues are down approximately \$160,000 (4 percent), and budgeted



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Ray County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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expenditures were reduced by approximately \$110,000 (2.8 percent) from 2011 levels. The County Commission and the County Clerk have also implemented additional budget monitoring procedures to help monitor the budget status on an ongoing basis.

### 3.2 County Budgets

County budgets were not approved in a timely manner and expenses were incurred without an approved budget in place.

#### Recommendation

The County Commission approve budgets prior to approving expenditures other than payroll.

#### Status

##### **Not implemented**

The 2012 county budget was approved on March 19, 2012, and the county continued to make non-payroll expenditures despite not having an approved budget. The County Clerk and the commission indicated the budget process was improved over prior years, and the 2012 budget would have been completed sooner if not for a late correction which required additional cuts to be made. The County Clerk and the County Commission are confident they can improve the timeliness of the budget in future periods.

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### 5.1 County Compensatory Time

The County Clerk's office did not maintain centralized compensatory time records. Each department maintained its own records of compensatory time earned and used. This condition was also reported in our prior report; however, no corrective action was taken. As a result of a complaint from a former law enforcement employee, the United States Department of Labor, Wage and Hour Division, conducted an investigation in April 2011 of payroll procedures for law enforcement employees and found the Sheriff's office did not have sufficient compensatory time records. The Wage and Hour Division ordered the county to pay \$9,905 in back wages to 31 Sheriff's office employees who were employed from January 1, 2009, through March 31, 2011.

#### Recommendation

The County Commission and the County Clerk maintain centralized compensatory time records for all employees.

#### Status

##### **Implemented**

The County Clerk indicated that compensatory time records for all county employees are now being reported to, and tracked by, the County Clerk's office.



# Thomas A. Schweich

Missouri State Auditor

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## Sullivan County



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July 2012

Report No. 2012-66

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Sullivan County

Property Tax System	The Collector-Treasurer does not maintain a complete record of payments received and refunds issued and does not record adjustments adequately. As a result, the Collector-Treasurer cannot always reconcile the composition of receipts to the composition of deposits. Neither the County Commission nor the County Clerk adequately reviews the Collector-Treasurer's activities or verifies the accuracy of the Collector-Treasurer's monthly and annual settlements.
Vehicle and Fuel Use	The county lacks effective monitoring procedures for vehicle and fuel use in the Sheriff's office and the Road and Bridge department. The Road and Bridge department does not keep fuel logs, and the Sheriff's office maintains mileage logs, but the logs are not complete or reconciled to fuel purchased and reviewed for reasonableness. Neither the Sheriff's office nor the Road and Bridge department submits receipts for fuel purchased, so fuel card statements cannot be reconciled before payment is made.
Public Administrator	The Public Administrator does not adequately oversee expenditures made by nursing home facility representatives on behalf of some wards living in a nursing home. The Public Administrator does not retain quarterly expense reports and does not compare them to bank statements or other supporting documentation, and bank reconciliations are not always completed.
County Sales Tax	In 2011, the county erroneously reported a voluntary reduction rather than a sales tax reduction on the property tax certification, and the county had no worksheets or other documentation to support the 2011 property tax reduction calculation and classification.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

Sullivan County did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Sullivan County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Sullivan County

We have audited certain operations of Sullivan County in fulfillment of our duties under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, has been engaged to audit the financial statements of Sullivan County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Sullivan County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Matthew Schulenberg, CFE
Audit Staff:	Amy Wilson
	Jared Wooderson

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# Sullivan County Management Advisory Report State Auditor's Findings

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## **1. Property Tax System**

The County Collector-Treasurer's deposit procedures need improvement. In addition, the County Clerk and the County Commission do not provide adequate monitoring over property tax system activities. During the 2 years ended February 29, 2012, the County Collector-Treasurer collected approximately \$11.4 million.

### **1.1 Reconciliation of deposits**

A complete record of payments received and refunds issued is not maintained, and adjustments recorded are not sufficient. As a result, the County Collector-Treasurer cannot always reconcile the composition of tax receipts (cash, check, money order) per receipt records to the composition of deposits. When a property tax payment in excess of the amount due is received, only the amount due is entered into the property tax system. The excess amount paid is either noted on a daily receipt report printed from the system for cash refunds, or tracked as an open item until month-end distributions for refunds are issued by check.

To ensure all monies received are accounted for properly, the composition of monies received should be reconciled to the compositions of deposits. In addition, a complete record of monies received and refunds issued should be maintained.

### **1.2 Account book and annual settlements**

Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector-Treasurer. The County Clerk does not maintain an account book or other records summarizing the property transactions each month, such as the total charges, additions, abatements, or delinquent credits. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy of the County Collector-Treasurer's monthly and annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the taxes charged and credited to the County Collector-Treasurer each year are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector-Treasurer's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

## **Recommendations**

- 1.1 The County Collector-Treasurer maintain a complete record of monies received and refunds issued. In addition, the County Collector-Treasurer should reconcile the composition of receipts to the composition of deposits.



Sullivan County  
Management Advisory Report - State Auditor's Findings

- 1.2 The County Clerk maintain a complete account book with the County Collector-Treasurer. In addition, the County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector-Treasurer's monthly and annual settlements.

## Auditee's Response

*The County Commission, the County Clerk, and the County Collector-Treasurer provided the following written response:*

- 1.1 *Upon review of the Auditor's findings and recommendations the County Collector-Treasurer will maintain a record of monies received and issued. The County Collector-Treasurer will also reconcile the composition of the receipts to the deposits. This will be implemented immediately.*

*The County Commission and the County Clerk provided the following written response:*

- 1.2 *The County Clerk will maintain a reconciliation of the County Collector-Treasurer's annual settlements and review monthly settlements with commissioners. This will be implemented immediately.*

## 2. Vehicle and Fuel Use

The county has not established effective monitoring procedures for vehicle and fuel use in the Sheriff's office and the Road and Bridge department. The Sheriff's office and the Road and Bridge department spent approximately \$35,000 and \$22,000, respectively, for fuel during the 2 years ended December 31, 2011.

Fuel is purchased by the Sheriff's office and the Road and Bridge department using fuel cards from a local oil company to fuel eight vehicles and nine pieces of equipment.

- Fuel logs are not maintained for Road and Bridge department vehicles and equipment, and, as a result, fuel use is not reconciled to fuel purchased.
- The mileage logs maintained for Sheriff's office vehicles do not always include odometer readings and are not reconciled to fuel purchased, and mileage is not reviewed for reasonableness.
- Sheriff's office and Road and Bridge department employees do not submit receipts for fuel purchased. As a result, a reconciliation of fuel card statements to supporting documentation cannot be performed before payment is made.



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Sullivan County  
Management Advisory Report - State Auditor's Findings

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Procedures for maintaining and reviewing mileage/fuel use logs and reconciling log information to fuel purchased and related records are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment fuel costs.

## Recommendation

The County Commission and the Sheriff establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use. In addition, fuel use should be reconciled to fuel purchases, individual fuel invoices should be reconciled to fuel statements, and any significant discrepancies should be investigated.

## Auditee's Response

*The County Commission, the County Clerk, and the Sheriff provided the following written response:*

*Upon review of the Auditor's findings and recommendations the County Sheriff's office and County Road and Bridge Department will log all fuel purchases. The County Sheriff's office will utilize a system already in place to a more tailored need of documentation. The County Road and Bridge Department will provide a hand written accountability of fuel purchases and report this to the County Clerk's office for monthly reconciliation with fuel statements. This will also be included in an update to our personnel policies. Discrepancies will be reported immediately to the County Commission for further review.*

*The Sheriff also provided the following response:*

*Fuel purchase procedures will include a radio log-in with dispatch when fueling, using a designated code. In addition, deputies will radio in their vehicle mileage and number of gallons of fuel purchased each time they fuel a vehicle.*

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## 3. Public Administrator

The Public Administrator does not adequately review the financial activity of some individuals (wards) living in a nursing home. The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division. During the 2 years ended December 31, 2011, the Public Administrator was responsible for the financial activity of 29 individuals, of which 19 reside in a nursing home.

For the 19 wards living in a nursing home, financial activity is managed by a nursing home facility representative with some oversight by the Public Administrator; however, such oversight is not always adequate. For 12 of these wards, the facility representative is responsible for paying expenses on



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Sullivan County  
Management Advisory Report - State Auditor's Findings

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behalf of the wards upon verbal approval of the Public Administrator, depositing funds into the wards' individual bank accounts, and preparing quarterly expense reports. The Public Administrator indicated she reviews the quarterly expense reports for reasonableness; however, reports were not retained and were not compared to bank statements or other supporting documentation. In addition, bank reconciliations were not always performed. As a result, there is less assurance disbursements made are reasonable and proper, and financial activity reported is complete and accurate.

Part of the Public Administrator's function is to serve in a fiduciary role for individuals who cannot provide adequate oversight of their own finances. Without adequate oversight, the Public Administrator cannot fulfill this role. In addition, the failure to adequately review and monitor the financial activity of wards increases the risk that errors or misuse of funds could go undetected.

## Recommendation

The Public Administrator establish procedures to adequately monitor the financial activity of all wards. In addition, the Public Administrator should ensure bank reconciliations and review procedures are completed and adequately documented.

## Auditee's Response

*The County Commission and the County Clerk provided the following written response:*

*Upon review of the Auditor's findings and recommendations the Public Administrator will implement a computer program currently available to reconcile client's bank statements and cash accountability. Documentation will be scanned and tracking of monies will be reviewed and compared with client charting.*

*The Public Administrator provided the following written response:*

*I am going to make sure all financial activity I receive of individual wards living in a nursing home will be reviewed and scanned in on the program. All bank statements will be reviewed and scanned monthly.*

---

## 4. County Sales Tax

The county certified a property tax reduction to the State Auditor's office as a voluntary reduction rather than a sales tax reduction on its 2011 property tax certification forms. In previous years, the county reported sales tax reductions and the County Commission indicated it was the intent to report a sales tax reduction rather than a voluntary reduction for 2011. The required sales tax reduction for 2011 was approximately \$116,000. In addition, the county had no worksheets or other documentation to support the 2011 property tax reduction calculation and classification. An error in the county's property tax reduction certification during a non-reassessment



## Sullivan County Management Advisory Report - State Auditor's Findings

year (even year) could reduce the tax ceiling during the subsequent reassessment year, potentially impacting the amount of property taxes the county could collect.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Sullivan County voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The county is required to estimate the annual property tax levy to meet a 50 percent reduction requirement, and certify to the State Auditor's office the annual property tax levy including the amount the levy is required to be reduced for sales tax collections, as well as any voluntary reductions. For 2008 through 2011, the county certified the sales tax reduction and voluntary reductions as follows:

	2011	2010	2009	2008
Sales tax reduction \$	.0000	.1500	.1400	.1500
Voluntary reduction	.1351	.0000	.0000	.0000
Actual tax levy	.2500	.2500	.2600	.2500

Effective procedures are necessary to ensure the sales tax reduction is properly calculated to avoid putting an undue financial burden on the county.

### Recommendation

The County Commission and the County Clerk properly distinguish between sales tax and voluntary reductions on certified property tax forms and assess the results of the actual property tax reductions to clearly show compliance with state law. In addition, all supporting worksheets should be maintained.

### Auditee's Response

*The County Commission and the County Clerk provided the following written response:*

*In review of the findings for county sales tax reports the new County Clerk will attend a training session regarding reporting of sales tax which will be conducted at the NW Clerk's meeting later in the year. The commissioners and County Clerk will review documentation more closely for errors in the future. The County Clerk will implement past reports for documentation to compare to current calculations to be kept on file. This will be implemented in the fall of 2012.*

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# Sullivan County

## Organization and Statistical Information

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Sullivan County is a township-organized, third-class county. The county seat is Milan.

Sullivan County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 37 full-time employees and 1 part-time employee on December 31, 2011. The townships maintain county roads.

In addition, county operations include the 911 Board and the Sullivan County Memorial Hospital Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Chris May, Presiding Commissioner	\$	24,440
James C. Howard, Associate Commissioner		22,440
Danny Busick, Associate Commissioner		22,440
Peggy Sloan, Recorder of Deeds		34,000
Jackie Morris, County Clerk		34,000
Jerry A. Hollon, Prosecuting Attorney		41,000
Roger Smiley, Sheriff		39,000
Paul Ruschmeier, County Coroner		9,500
Joan Brummit, Public Administrator		25,000
Jennifer Hollon-Russell, County Collector-Treasurer, year ended March 31,	34,000	
Karen LaFaver, County Assessor , year ended August 31,		34,000

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

Sullivan County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.





Thomas A. Schweich  
Missouri State Auditor

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## ECONOMIC DEVELOPMENT

# Missouri Quality Jobs Tax Incentive Program



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July 2012

Report No. 2012-65

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of the Missouri Quality Jobs Tax Incentive Program

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### Background

The Missouri Quality Jobs Act of 2005 authorized the creation of the Missouri Quality Jobs (MQJ) Tax Incentive Program, which provides tax incentives to qualified companies for facilitating the creation of new, or retention of existing, jobs in Missouri. The Department of Economic Development (DED) manages the MQJ Tax Incentive Program.

The tax incentives authorize qualified companies to retain state income taxes withheld from employees in created or retained jobs and/or receive tax credits. Tax incentives are not awarded until jobs are created or retained. To be eligible for incentives: (1) the jobs must be for full-time positions, (2) the employer must pay at least 50 percent of the health insurance premiums for each employee, and (3) the average wage for the jobs must be at least the average wage for the county (or for the state if county average is higher). The benefit period lasts up to 5 years, and the tax credits are refundable, transferable and sellable.

### Program Data

Data used to measure the economic impact of the MQJ program are based on projections which are significantly overstated. Since the inception of the program in 2005, the DED has approved projects anticipated to create a total of 45,646 jobs, however, according to the 2012 MQJ annual report, the DED had reduced the estimated jobs by 18,960 (41 percent). In addition, the projected level of business investment, and tax incentives to be retained have also been overstated.

Significant weaknesses also exist in the manner in which actual program data is obtained, maintained, verified, and reported to the legislature. Actual program data is not timely and is not verified to ensure accuracy and compliance with program requirements, and therefore, the data presented to the public and the legislature is outdated and not reliable. The DED has not established a timely deadline for businesses to submit the MQJ annual report required by state law. The amount of tax incentives reported to the legislature on the tax credit activity report are understated, and the DED does not ensure key project data entered in the tax credit system is accurate, reliable, and complete.

As a result of these deficiencies, the overall economic impact of the MQJ program cannot be accurately assessed.

### Oversight and Verification of Business Data

DED oversight of companies receiving MQJ incentives is not adequate. Procedures to verify project eligibility are not adequate and have resulted in noncompliant projects receiving tax incentives. We identified one project where the "new" jobs consisted of jobs which were spin-off jobs from an existing company. The DED did not perform adequate verification of the parent company's employment levels to determine if the project was eligible for benefits prior to the company receiving benefits.

We also identified 12 projects which were not in compliance with program reporting requirements. In addition, the DED did not ensure base employment was consistently calculated or properly documented in project files, which makes it difficult to determine how many jobs were created or maintained. For nine of the ten project files reviewed, the DED had limited or no documentation to support details of site visits, and the DED had not established procedures to ensure companies comply with the statutory requirement to pay at least 50 percent of health insurance premiums.

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Program Design

The current law dictating how program benefits are calculated and awarded is difficult to administer and monitor. In addition, although state law limits total MQJ tax credits to \$80 million annually, there is no limit on the amount of tax withholdings allowed to be retained on an annual or cumulative basis, and the MQJ program contains no sunset provision.

In the areas audited, the overall performance of this entity was **Poor**.\*

---

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

Not applicable.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Missouri Quality Jobs Tax Incentive Program

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Chris Pieper, Acting Director  
Department of Economic Development  
Jefferson City, Missouri

We have audited certain operations of the Missouri Quality Jobs Tax Incentive Program in fulfillment of our duties under Chapter 29, RSMo and Section 620.1300, RSMo. The scope of our audit included, but was not limited to, the 3 years ended June 30, 2011. The objectives of our audit were to:

1. Analyze the costs and benefits of the program to determine if it is an effective and efficient use of state resources.
2. Evaluate the internal controls over significant management and financial functions related to the program.
3. Evaluate compliance with certain legal requirements related to the program.
4. Evaluate the economy and efficiency of certain management practices and operations.

For the areas audited, we (1) determined that due to weaknesses in program data, program effectiveness and efficiency could not be determined, (2) identified deficiencies in internal controls, (3) identified noncompliance with legal provisions, and (4) identified the need for improvement in management practices and procedures.

Except for the matter discussed in the last paragraph of the Scope and Methodology Section, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Quality Jobs Tax Incentive Program.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in between.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Robert Showers, CPA, CGAP
In-Charge Auditor:	Amanda Locke, M.Acct

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# Quality Jobs Tax Incentive Program

## Introduction

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### Background

The Missouri Quality Jobs Act was established in 2005 as a tax incentive program under Sections 620.1875 to 620.1890, RSMo. The authorizing statutes do not explicitly state the purpose of the Missouri Quality Jobs (MQJ) Tax Incentive Program; however, the program provides tax incentives to qualified companies for facilitating the creation of new or retention of existing jobs in Missouri. The Department of Economic Development (DED) manages this tax incentive program.

The MQJ program provides tax incentives to qualified business after jobs are created or retained. To be eligible for incentives, the following criteria must be met: (1) the jobs created or retained must be for employees in full-time positions; (2) the employer must pay at least fifty percent of the health insurance premiums for each employee; and (3) the average wage for the jobs created or retained must be at least the county average wage (or the state average wage if the county is higher). Qualified companies who have met program requirements are eligible to retain state income taxes withheld<sup>1</sup> from employees in newly created or retained positions and/or receive tax credits.<sup>2</sup> The benefit period for a project to receive tax incentives is up to 5 years, and begins after the project meets the minimum program requirements. The tax credits are refundable, transferable, and sellable. Minimum eligibility requirements must be met within 2 years of the application approval date or the authorization expires and the company may reapply.

The MQJ program includes provisions for five project types, with each project type having its own minimum requirements and tax incentive award criteria. The project type, minimum number of required jobs, and specific tax incentives allowed by project type are presented in the following table:

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<sup>1</sup> Withholdings are the state income taxes that an employer deducts and withholds from employees' wages every pay period.

<sup>2</sup> Tax credits can be used to offset state taxes due or receive tax refunds if the amount of the tax credits exceeds the amount of taxes due.



## Quality Jobs Tax Incentive Program Introduction

Project Type	Minimum Number of Required Jobs	Tax Incentive Allowed
Small and expanding companies	20 jobs in rural areas or 40 jobs in non-rural areas	Withholdings only
Technology	10 jobs	Withholdings, with refundable tax credits allowed in the event the withholding tax is not sufficient
High Impact	100 jobs	Withholdings, with refundable tax credits allowed in the event the withholding tax is not sufficient
Job Retention <sup>1</sup>	Retention of full-time employees that existed in the taxable year immediately preceding the year in which application for the program is made. The employer's site must have maintained at least 1,000 employees in the 24 months preceding the application.	Tax credits only (up to \$1 million annually for each project, with maximum issuance for all projects of \$3 million annually)
Small business job retention and flood survivor relief (Flood Survivor) <sup>2</sup>	Retention of at least the level of full-time, year-round employees that existed in the taxable year immediately preceding the year in which application for the program is made.	Tax credits only (with maximum issuance for all projects of \$500,000 annually)

<sup>1</sup> No tax credits shall be issued for job retention projects approved after August 30, 2013. Only one job retention project has been approved since program inception. As a result, our review focused on job creation projects.

<sup>2</sup> No tax credits shall be issued for small business job retention and flood survivor relief projects approved after August 30, 2010.

The minimum requirements and project eligibility have been modified since the Missouri Quality Jobs Act was established. The above table reflects statutory requirements as of March 2012. Due to the statutory changes, the DED uses the statute in effect when the application is received from the company to determine program eligibility requirements.

### Eligibility authorization

To become authorized to participate in the MQJ program, a business must submit a Notice of Intent (NOI) Application to the DED. By statute, the DED must review and approve the project within 30 days of the NOI. Once the eligibility requirements have been met and the jobs have been created, the business must submit an Application to Retain Withholdings to be allowed to retain withholdings. The DED will review the application and, if





## Quality Jobs Tax Incentive Program Introduction

requirements are met, authorize the business to begin retaining withholdings.

### Reporting

The DED provides the General Assembly and the public key program information for the MQJ program through both the tax credit activity report and the MQJ annual report.

Agencies administering tax credit programs are required under Section 33.282, RSMo, to submit the estimated amount of tax credit activity for the next fiscal year to the State Budget Director for submission to the Chairmen of the Senate Appropriations and House Budget Committees. In addition to the estimates of tax credit activity, the agencies must also include a cost benefit analysis of the program for the preceding fiscal year. The annual estimates and cost benefit analyses are submitted on forms called tax credit activity reports. State law requires the tax credit activity report be submitted to the State Budget Director by October of each year and to the Chairmen of the Senate Appropriation and House Budget Committees by January 1st of each year.

The DED is also required by Section 620.1890, RSMo, to submit an annual report of the MQJ program to the General Assembly by March 1st of each year. This report is required to include the names of participating companies, location of such companies, the annual amount of benefits provided, the estimated net state fiscal impact (direct and indirect new state taxes derived from the project), the number of new jobs created or jobs retained, the average wages of each project, and the types of qualified companies using the program.

In addition, Section 135.805, RSMo, requires companies receiving tax credits to submit an annual report to the DED. This report is required to include the actual number of jobs created as a result of the tax credits for each month of the preceding 12-month period, the business size, the address of the business headquarters, all addresses of the business offices, the number of employees at the time of the annual update, the estimate of the number of employees projected to increase as a result of the completion of the project, and the estimated or actual project cost. The DED makes this information available to the public, as required by section 135.805, RSMo.

### Scope and Methodology

To gain an understanding of the MQJ program, we interviewed DED officials involved in the application and approval process as well as staff involved in monitoring MQJ projects, and officials at the Department of Revenue (DOR).

We obtained a data file of projects involved in the program since project inception (calendar year 2005) from the Customer Management System (CMS) as of March 2011. We later obtained a similar data file in February



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## Quality Jobs Tax Incentive Program

### Introduction

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2012. We analyzed the data files to determine the total tax incentives authorized, issued, redeemed, and retained. The March 2011 file was scanned for unusual transactions or possible noncompliance with program requirements. We compared project totals from the data file to those reported per the MQJ Annual Report to the General Assembly and the tax credit activity report.

We reviewed the project files for ten projects that had received tax incentives. As part of this review, we interviewed staff of the DED, reviewed documentation submitted by the companies, and determined if required procedures were followed. In addition, we reviewed one authorized project that had not been issued tax incentives and contacted an official from another project who had chosen to create the jobs in another state.

To understand how the economic impact of the MQJ program is calculated, we met with representatives of the DED responsible for generating the economic impact estimates. We also interviewed DED staff regarding assumptions provided by the companies to calculate the economic impact of the tax incentives.

We obtained aggregate totals of annual tax credit redemptions from the DOR. However, we were not provided detailed tax credit redemption information because the Director of the DOR denied us access due to the department's interpretation of the Missouri Supreme Court decision in the case of *Director of Revenue v. State Auditor* 511 S.W.2d 779 (Mo. 1974). This external impairment limited our ability to conduct work and therefore, we could not verify the completeness and accuracy of annual redemption totals.

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# Quality Jobs Tax Incentive Program

## Management Advisory Report

### State Auditor's Findings

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#### **1. Program Data**

Data used to project the economic impact of the Missouri Quality Jobs (MQJ) program are significantly overstated. Significant weaknesses also exist in the manner in which actual program data is obtained, maintained, verified, and reported to the legislature. Actual program data is not timely and is not verified to ensure accuracy and compliance with program requirements, and therefore, the data presented to the public and the legislature is outdated and not reliable. As a result of these deficiencies, the overall economic impact of the MQJ program cannot be accurately assessed.

##### **1.1 Program activity projections**

Program activity projections reported to the General Assembly regarding the economic impact of the program appear significantly overstated. Our review of program activity projections identified the following issues:

###### **Number of jobs**

The number of jobs expected to be created as reported by companies have been overstated. From the inception of the program in 2005 through December 2011, the DED has approved projects anticipated to create a total of 45,646 jobs by the end of the projects' benefit periods. However, approximately 40 percent of approved projects failed to meet minimum number of job created or retained requirements resulting in the expiration of the projects. As a result, the DED has reduced the estimated jobs to be created by 18,960 jobs to 26,686 jobs by the end of the projects' benefit periods, according to the 2012 MQJ annual report; a reduction of 41 percent. As of December 31, 2011, a total of 7,176 jobs have been created according to DED data. The number of jobs expected to be created is a key element when calculating the estimated economic benefit of the program.

###### **Level of investment**

The projected amount companies will invest as a result of the program appears significantly overstated in the MQJ annual report. Based on project applications approved through 2011, a total of \$4.93 billion is projected to be invested in facilities and equipment by the end of the projects' benefit period, according to the 2012 MQJ annual report. However, based on information from the Customer Management System (CMS), companies have reported actual investments of approximately \$1.1 billion as of February, 2012, or 22.3 percent of the projected amount. The investment amounts in the CMS are self-reported from the participating companies and are not verified. In some cases no investment amount is reported by the company even though an estimated amount of investment was included in the company's initial application.

###### **Tax incentives**

The total projected amount of tax incentives may be significantly overstated in the MQJ annual report. The projected amount of tax incentives through 2018 for projects approved as of December 31, 2011, was \$501 million. However, according to the 2012 MQJ annual report, cumulative tax incentives expected on all projects receiving benefits in 2011 over the next 5 years (through 2016) are expected to be \$149 million.



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

### Economic impact

The method in which economic impact is calculated overstates the economic benefits of the program. The economic benefit reported on the tax credit activity report is calculated using projected jobs and investment information from tax credit applications. As stated above, actual program activity has historically been significantly lower than projected.

By utilizing authorized project information to estimate economic impact, key stakeholders are not provided realistic expectations of program benefits.

### 1.2 Verification of withholding information

The DED does not require companies to provide payroll information to support the amount of withholdings retained for each new employee. Six of eight project files with retained withholdings did not contain documentation to support the amount of withholdings retained for new employees.

When actual withholding documentation is not submitted, DED personnel estimate the amount of total withholdings they believe should be withheld for a project. If actual reported withholdings significantly exceed DED estimates, DED officials stated they investigate the discrepancy. However, we noted two projects where the DED did not investigate significant discrepancies. For one project, the business had retained withholdings totaling approximately \$1 million over a 2-year period; approximately \$383,000, or 62 percent, more than the amount estimated by the DED. For the other project, the business had retained withholdings totaling approximately \$592,000; approximately \$145,000, or 32 percent, more than the amount estimated by the DED.

Without detailed payroll information to support withholdings retained by participating employers, the DED has less assurance withholdings retained are appropriate and accurate.

### 1.3 Annual report timeliness

The DED has not established a timely deadline for businesses to submit the MQJ annual report required by state law. Section 620.1881.4, RSMo, requires companies receiving MQJ incentives to submit an annual report to the DED which includes "the number of jobs and such other information as may be required by the department to document the basis for the benefits." The annual report requests information on the number of new jobs created and the average wages paid, including information on the individual employees. State law does not specify when the annual report is due to the department. However, the DED policy does not require the annual report to be submitted until November 30 of the following year. As a result, if a project was not eligible or businesses withheld an inappropriate amount, the DED may not be aware of the issue for nearly 2 years.

Without a timely annual report from the companies, program data reported to the General Assembly is not timely, and the DED is unable to confirm if: (1) the companies have continued to employ the minimum number of jobs



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

required to be eligible to retain the withholdings, (2) the amount retained was accurate, or (3) if the business is due to receive any additional tax credits.

**1.4 Tax credit activity report** The amount of tax incentives reported on the tax credit activity report are understated. According to tax credit activity reports covering fiscal years 2008 to 2011, tax incentives redeemed and retained have totaled \$52.9 million. However, according to information in the CMS, actual redemptions and retentions for the same timeframe were approximately \$58.7 million.

The primary reason for the difference is that the DED did not update prior year data to reflect actual activity when the next year's tax credit activity report was prepared. In addition, a DED official said some of the difference is due to timing between when the tax credit activity report was prepared and when the tax incentives were issued by the DED and/or retained by the companies and companies making adjustments to the amount of withholdings retained, and because prior to calendar year 2010 the DED did not revise the tax credit activity report to reflect the adjustments made. Updating tax incentive redemptions for each tax credit activity report would provide the General Assembly more accurate and timely information.

**1.5 Data accuracy** The DED does not ensure key project data entered in the CMS is accurate, reliable, and complete. Our scans of DED project data files identified instances of incorrect authorized credit amounts, industry codes, number of jobs, average wages, annual report status, and investment data within the CMS.

Without accurate and complete data, the DED cannot properly monitor and evaluate the program.

## Recommendations

The DED:

- 1.1 Establish procedures to ensure the economic benefit projections reported to the General Assembly reflect a realistic assessment of program performance.
- 1.2 Obtain company payroll information to verify the amount of state income taxes withheld for each new employee is appropriate.
- 1.3 Establish procedures to require companies receiving MQJ program incentives to submit annual reports in a more timely manner.
- 1.4 Ensure tax incentive redemption data reported on the tax credit activity report is accurate and reflects actual program costs.



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

### Auditee's Response

- 1.5 Establish procedures to ensure data entered in the CMS is accurate, complete, and reliable.

- 1.1 *DED has established procedures to ensure that economic benefit projections reported to the General Assembly reflect a realistic assessment of program performance. As described in greater detail below, annual reports covering program activity from the program's enactment in 2005 through 2011 have evaluated economic impact based both on anticipated job creation and investment, as well as verified job creation to date and capital investment reported to date. This provides stakeholders a range of estimated economic impact to compare against the actual cost of the benefits provided in order to evaluate the program's effectiveness.*

#### **Number of Jobs**

*DED disagrees that companies participating in the Missouri Quality Jobs Program have overstated the number of jobs they anticipate creating. The anticipated job creation number included in the notice of intent is the company's best estimate of the new jobs they will create over the next five to eight years. The anticipated job numbers are updated each year in the annual report to eliminate projects that have failed to achieve or maintain the required job creation thresholds. Regardless, the actual benefit a participating company may receive is based on the jobs they actually create, rather than their anticipated job creation provided in the notice of intent.*

*With regard to how anticipated job creation factors into the estimated economic impact of the Missouri Quality Jobs Program, annual reports covering program activity from the program's enactment in 2005 through 2011 have evaluated the program's economic impact based both on anticipated job creation provided by participating companies, as well as the verified job creation to date. This provides stakeholders a range of estimated economic impact to compare against the actual cost of the benefits provided in order to evaluate the program's effectiveness.*

#### **Level of Investment**

*DED disagrees that the estimated amount of capital investment reported by companies participating in the Missouri Quality Jobs Program is overstated. The capital investment estimates provided by participating companies in their notice of intent represent the company's best estimate of future capital investment over the next*



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

*five to eight years. The actual level of capital investment, like the actual number of jobs created, is adjusted by DED to reflect capital investment occurring over time as it is reported by companies.*

*With regard to how capital investment factors into the estimated economic impact of the Missouri Quality Jobs Program, annual reports covering program activity from the program's enactment in 2005 through 2011 have evaluated the program's economic impact based both on the anticipated capital investment reported by participating companies in their notice of intent, as well as the actual capital investment reported to date. This provides stakeholders a range of estimated economic impact to compare against the cost of the benefits provided in order to evaluate the program's effectiveness.*

### **Tax incentives**

*DED disagrees that the projected amount of tax incentives authorized for companies participating in the Missouri Quality Jobs Program may be overstated. The \$501 million figure quoted by the State Auditor represents the total amount of benefits authorized for all approved projects since the program's enactment in 2005. However, only \$335 million is currently authorized for active projects. These active projects are either still within their benefit period or still within the two or three year period following approval during which they can meet the minimum job creation thresholds for participation in the program. Projects are disqualified if they fail to meet minimum job creation thresholds or if they fail to maintain the requisite number of jobs.*

### **Economic Impact**

*DED disagrees that the method used in the Missouri Quality Jobs Annual Report to calculate economic impact overstates the benefit of the program. Annual reports covering program activity from the program's enactment in 2005 through 2011 have evaluated economic impact based both on anticipated job creation and investment as reported by companies in their notice of intent, as well as verified job creation to date and capital investment reported to date. In addition, the employment impact charts in the annual reports separate direct and indirect jobs to show a ramp-up of anticipated employment over a 15-year period. In this way, the report provides stakeholders a range of estimated economic impact to compare against the actual cost of the benefits provided in order to evaluate the program's effectiveness.*



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

*For example, the 2012 MQJ Annual Report shows the program's estimated benefits to the state's general revenue given the cost of the incentives provided. When using only the actual jobs verified to date and the capital investment reported to date and conservatively assuming no additional growth, the return on investment is \$3.26 in general revenue for every \$1 of incentive provided. When all active projects are included, thereby also considering anticipated jobs and capital investment, the projected return on investment grows to \$4.16 for every \$1 of incentive provided.*

1.2 *DED disagrees with the State Auditor's statement regarding the information collected to support the amount of withholding claimed. DED obtains company payroll information to identify each specific employee and their wages in order to verify the average wage, verify that new jobs thresholds have been achieved and maintained, and calculate the amount of any tax credits for which the company may be eligible, as applicable. DED provides the company with an estimate of the company's withholdings based on a chart provided by the Department of Revenue showing the average withholding rates for different ranges of adjusted gross income. However, the actual benefit the company will receive under Missouri Quality Jobs is determined by the actual amount of withholding taxes that would otherwise be remitted to the Department of Revenue, and not on the estimate provided by DED. Companies file their withholding information with the Department of Revenue, and the Department of Revenue determines the amount of withholding taxes owed by the qualified company. While as with the two projects cited there may be differences between the withholding estimate provided by DED and the actual withholding tax the company owes to the Department of Revenue, it is the actual withholding taxes owed that determines the actual amount of the benefit.*

1.3 *DED has established procedures and a deadline for participating companies to submit an annual report by November 30 of each year. Different companies begin to retain benefits under the program at different times throughout a calendar year, and this November 30 deadline allows nearly all projects to have at least one year from the time they begin to retain benefits to satisfy the reporting requirements. In addition, DED verifies job numbers through Department of Labor records for unemployment insurance reporting for the same time periods. In light of this verification, the timing of participating companies' submission of their annual reports does not impair DED's ability to determine eligibility at any time. Moreover, if a company were to retain withholdings for which they were ineligible, they would be required to repay the amount to the Department of Revenue with penalty and interest.*





## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

- 1.4 *DED disagrees that the redemption data reported on tax credits activity reports for the program is understated. Section 33.282, RSMo requires submission of tax credit activity reports for approval by the General Assembly as part of the budget process. There is no statutory mechanism for amending reports previously approved by the General Assembly. However, since 2010, DED has updated the redemption data for the tax credit activity reports to reflect adjustments occurring during the year in order to provide the most up-to-date and accurate information to the General Assembly.*
- 1.5 *DED has established procedures to ensure that data entered into DED's internal tracking database is accurate, complete and reliable. DED staff periodically review database entries and correct any data entry errors identified. The State Auditor has not identified any instance of a data entry error in DED's internal database resulting in an incorrect amount of benefits being provided to a participating company.*

### Auditor's Comment

- 1.1 The purpose of the tax credit activity report sent to the legislature is to provide information on the projected costs and benefits of the program. However, due to actual activity being significantly less than authorized, the reports for the MQJ do not accurately reflect the costs and benefits of the program. At a minimum, the DED should disclose that program activity projections have historically overstated the economic impact.
- 1.2 The Department of Revenue does not perform any verification of program eligibility to ensure only the withholdings of employees in the new jobs are retained. While the DED does receive individualized payroll data to determine eligibility, such data does not include information on withholding amounts of each eligible employee. As a result, the DED cannot verify that withholdings retained are appropriate.
- 1.3 Requiring reporting of MQJ-related data 11 months after the year-end appears untimely given most companies report withholding information to the IRS and DOR quarterly, and many large companies report on a monthly basis.
- 1.5 While we did not identify specific errors which resulted in an incorrect amount of benefits provided, weaknesses in data reliability increase the risk of potential improprieties occurring.



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

## 2. Oversight and Verification of Business Data

### 2.1 Project eligibility

#### Potentially ineligible project

DED oversight of companies claiming MQJ credits and retaining withholdings is not adequate. Procedures to verify project eligibility are not adequate and have resulted in noncompliant projects receiving tax incentives. In addition, the DED has not obtained or maintained sufficient documentation to verify base employment, and base employment is not consistently calculated. Documentation and oversight of site visits are not adequate, and verification of insurance premium requirements is needed.

The DED has not established adequate policies and procedures to verify project eligibility or reclaim retained withholdings when businesses fail to meet program requirements.

Our review of ten project files identified one company that received tax incentives despite being potentially ineligible. Our review of the project file determined that despite claiming to be a new company, the company was a spin-off of an existing company, and the "new" employees were actually pre-existing employees of the parent company. Per Section 620.1878(14), RSMO, the spin-off company is eligible for MQJ benefits if the parent company replaced the jobs lost in the spin-off. Our review of the project file showed the DED treated the company as if it were "new" and did not obtain documentation of the parent company's base employment prior to awarding benefits. A subsequent DED review determined the parent company had replenished the jobs that were lost due to the spin-off. As of February 2012, the company had retained tax withholdings totaling \$2,059,705.

#### Noncompliant projects

We identified 12 projects which were not compliant with program reporting requirements. The projects involved have withheld a total of \$2,740,258 for activity occurring during calendar years 2008 through 2010, but as of February 2012, had yet to submit an annual report. Annual reports for eight of these projects were due November 2011, and six were due November 2010. Two of these projects had not submitted annual reports for multiple years. Based on discussions with DED officials, the business is given every chance to comply with the reporting requirement.

Without the annual report required by state law, the DED is unable to determine whether businesses meet program requirements and are eligible for the tax incentives received.

### 2.2 Base employment

The DED has not ensured base employment is consistently calculated or properly documented in project files. Base employment is the greater of the number of full-time jobs in place at the time of the company's application for MQJ incentives, or the average number of jobs at the facility for the 12 months prior to the application date. Jobs created in excess of the base employment are generally eligible for tax incentives as long as minimum wage and benefit requirements are met.



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

For three of the ten projects tested, the DED did not have sufficient documentation in the project files to support base employment. In addition, for one project, the DED did not use the same methodology as the other projects when calculating base employment.

Maintaining adequate documentation of, and consistently calculating, the base employment is necessary for the DED to ensure companies receive the appropriate amount of tax incentives.

### 2.3 Site visits

The DED did not adequately document monitoring procedures performed during site visits. For nine of ten projects reviewed, limited or no documentation was available to support details of the visit. The DED did not document how many and which employees were selected for verification, or the specific payroll information reviewed.

Requiring adequate documentation of the details of each site visit would improve the review process and would provide the DED with additional assurance site visits are properly performed.

### 2.4 Insurance premium verification

The DED has not established procedures to ensure companies comply with statutory requirements to offer to pay at least 50 percent of new employee health insurance premiums. State law requires companies to pay at least 50 percent of health insurance premiums for new jobs created to be eligible for MQJ tax incentives. Four of five project files reviewed did not contain sufficient documentation to determine whether the business paid at least 50 percent of health insurance premiums. In addition, the DED does not perform procedures to verify the insurance premium requirement during site monitoring visits, but relies on a certification provided by the company that the requirement has been met.

Without adequate verification procedures, the DED has little assurance businesses receiving MQJ tax incentives comply with state law related to employee health insurance premiums.

## Recommendations

The DED:

- 2.1 Establish procedures to ensure projects that have not complied with program requirements are disqualified, and investigate to determine whether tax incentives were improperly issued or retained. In addition, the DED should ensure adequate documentation is included in project monitoring files.
- 2.2 Ensure base employment is consistently calculated and properly documented.



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- 2.3 Ensure site visits of participating companies are properly documented.
- 2.4 Establish procedures to ensure companies pay 50 percent or more of new employee health insurance premiums as required by state law.

## Auditee's Response

*DED has not provided benefits to any non-compliant projects, and DED disagrees with the assertion that any of the projects referenced by the State Auditor that received benefits were non-compliant.*

### 2.1 **Potentially Ineligible Project**

*DED disagrees that the company in the 2007 project referenced was "potentially ineligible" for the Missouri Quality Jobs Program. The referenced company was approved for benefits in 2007. At the time of that approval, the company clearly met the definition of a "qualified company" under the statute and was clearly "eligible" for the program.*

*The State Auditor appears to question whether this qualified company's parent company was a "related company" and whether there was any reduction in employment at the qualified company's parent company when several employees of the parent company were transferred to the qualified company. As the State Auditor acknowledges, DED documented, through employment information provided by the parent company and verified through the Department of Labor, that there was no decrease in employment at the parent company and that the qualified company retained the appropriate amount of benefits since the time it was approved in 2007.*

### **Noncompliant Projects**

*DED disagrees that there are 12 projects out of the more than 400 projects reviewed by the State Auditor on this issue that have not submitted an annual report. Currently, there are only three projects that have not submitted an annual report. Because these three projects have not submitted annual reports, they are no longer eligible to receive benefits under the program. In any event, if a company fails to submit an annual report, no additional benefits are provided.*

- 2.2 *DED thoroughly documents base employment calculations in project files. Each file contains lists of employees, including names, titles, wages, hire dates and average hours worked. The files also include a Base Employment Calculation Worksheet showing*



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

*employment by month for the twelve-month period prior to the application. The files also contain supporting documentation for any updates to base employment following approval. Employment data is also verified through Department of Labor unemployment insurance information.*

*DED acknowledges that base employment was calculated differently before and after the 2007 statutory change to the definition of "project facility base employment," which altered the formula for calculating base employment. The single project referenced as using a different methodology for calculating base employment was approved in 2005, prior to this statutory change.*

2.3 *DED ensures that all sites visits are properly documented. Detailed compliance checklists are completed for site visits documenting the specific activities performed during the site visit. Activities performed during the site visit and documented on the compliance checklist include; (1) verification of information provided in the notice of intent and application, including but not limited to the NAICS code, number of employees, wages, etc.; (2) verification of the process for tracking those employees that qualify for the retention of withholding to verify that withholding on only those employees are retained; (3) review of employee withholding reports for the most recent period; (4) verification that any new jobs are identifiable and separately queried or isolated in the applicable on-site tracking system; (5) verification of the company's process for filling vacancies that occur in the facility's base employment; (6) review of on-site payroll information and random employee payroll amounts to verify the information submitted; (7) verification of compliance with the requirement to offer health insurance and pay fifty percent of the premiums; and (8) verification of the fully executed E-Verify enrollment and documentation of employee verifications. DED does not include specific employee information in the compliance checklist document to show the specific employees whose information was reviewed due to privacy concerns for the employee and for the business.*

2.4 *DED has established procedures to ensure that participating companies offer health insurance and, if accepted by the employee, pays at least 50% of the premiums. First, DED collects information regarding the company's health plan at the time the company submits its notice of intent. At that time, the company certifies under penalty of perjury that it complies with the health insurance premium requirement. In connection with its annual report, the company again must attest under penalty of perjury that it continues to comply with the health insurance requirement. Finally, during*



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

*site visits compliance staff verifies evidence of employer-provided health insurance and paying at least fifty percent of the premiums. In the event that the company cannot provide evidence during a site visit or if the company is unable to make the annual certification, benefits would no longer be provided.*

### Auditor's Comment

- 2.1 DED personnel did not perform the necessary procedures to determine if the potentially ineligible company was eligible until auditors questioned the DED about what appeared to be a "related company". While the DED eventually determined the company to be eligible, the department did not obtain the supporting documentation necessary to make this determination until tax incentives had been received by the participating company. Regarding noncompliant projects, the data presented in our finding was obtained from the CMS system as of February 2012.
- 2.2 Base employment calculations were not consistently noted in the DED project files we reviewed. In addition, the use of a different methodology of calculating base employment cited in our report was not impacted by the statutory change of 2007.
- 2.3 Project files contain specific employee information for the purposes of determining eligibility. It is not clear how including such information in monitoring documents jeopardizes individual privacy. In any event, documentation of specific employee information verified could be accomplished in a manner that would not jeopardize privacy.

## 3. Program Design

Improvements are needed to increase the efficiency and effectiveness of the program. Several areas were identified which result in significant inefficiency, inaccurate information, and additional costs to the state. In addition, state laws have not been established to limit the amount of state income tax incentives that may be retained and include a sunset provision.

### 3.1 Current law

The current law dictating how program benefits are calculated and awarded to companies is difficult for the DED to administer and effectively monitor. The DED must obtain and review detailed payroll information from program participants to calculate and verify which individual employees are considered part of "base employment" and which employees are considered "new."

Similarly, to determine if a participating company has retained the appropriate amount of withholdings, a business must identify which employees are considered to be in the "new job" each pay period as well as the amount of withholdings paid by those employees. The amount of



## Quality Jobs Tax Incentive Program Management Advisory Report - State Auditor's Finding

withholdings retained for each employee is variable by its nature, making it difficult to estimate withholdings on a particular project.

As part of our review, we interviewed the Chief Executive Officer of a company which considered expanding in Missouri, but ultimately decided to expand his company in another state. According to this individual, one of the factors leading to the decision to not come to Missouri was that the programs offered are cumbersome and complicated.

Simplifying the mechanism used to calculate program benefits would not only help reduce the level of effort necessary to administer and monitor the program at the state level, but would make the administration of the program less burdensome to program participants. Allowing a set dollar amount of withholdings, or establishing a set percent of salary to be retained for each job created or retained, would simplify the program and enable the DED to better ensure the appropriate amount of tax incentives are awarded for each project.

### 3.2 Withholding cap

Although state law limits total MQJ tax credits issued to \$80 million annually, there is no limit on the amount of withholdings allowed to be retained on an annual or cumulative basis. Based on actual program results through 2011, the amount of withholdings is the primary cost associated with the MQJ program with withholdings exceeding tax credits issued by a ratio of nearly 2 to 1.

Without a limit on the amount of withholdings authorized, the ability to contain the total cost of the program is limited. Implementing an annual and/or cumulative cap on the amount of withholdings authorized to be retained would help to better contain the cost of the MQJ program.

### 3.3 Sunset provision

State law does not include a sunset provision for the MQJ program. The Sunset Act, passed in 2003, provides for new programs to sunset after a period of not more than 6 years unless reauthorized by the General Assembly or the program is exempted from the Sunset Act. The Act requires the Committee on Legislative Research to review applicable programs before the sunset dates and present a report to the General Assembly regarding the sunset, continuation, or reorganization of each affected program. However, the General Assembly exempted the MQJ program from the Sunset Act provisions.

By adopting a sunset provision for the MQJ program, the General Assembly can better determine whether the program is achieving its intended purpose and whether program funding should be increased, decreased, or eliminated.



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Recommendations

The DED work with the General Assembly to:

- 3.1 Revise state law to simplify the mechanism used in the calculation of program benefits.
- 3.2 Revise state law to establish an annual and/or cumulative limit on the amount of tax withholdings that may be retained.
- 3.3 Revise state law to include a sunset provision for the MQJ program.

Auditee's Response

*The DED declined to respond to the above recommendations.*



## Missouri Quality Jobs Tax Incentive Activity

The following table lists the Missouri Quality Jobs tax incentives authorized, issued, and redeemed through June 30, 2011, per the tax credit activity report. Amounts shown as issued and redeemed include withholdings retained, and tax credits issued and redeemed.

Fiscal Year	Amount Authorized for 5 year period	Amount Issued	Amount Redeemed
2006	\$ 6,497,013	0	0
2007	51,688,243	1,715,530	1,715,530
2008	76,476,912	3,744,069	2,805,251
2009	81,717,502	11,348,054	6,203,572
2010	57,057,508	14,863,017	14,238,179
2011	59,914,412	28,099,496	27,936,799
Totals	\$ 333,351,590	59,770,166	52,899,331

Source: *Report on Missouri Tax Credits Administered by the Department of Economic Development*

The following table lists the Missouri Quality Jobs tax credits issued and the withholdings retained through December 31, 2011, per the Missouri Quality Jobs annual reports.

Calendar Year	Actual Tax Credits Issued	Actual Withholdings Retained	Total Tax Incentives	Actual Jobs Created <sup>1</sup>
2008	\$ 2,449,893	6,943,422	9,393,315	3,405
2009	4,064,312	10,499,548	14,563,860	2,836
2010	8,284,454	20,896,513	29,180,967	1,548
2011	11,092,000	12,756,121	23,848,121	459
Totals	\$ 25,890,659	51,095,604	76,986,263	8,248

<sup>1</sup> Includes 7,176 jobs created and 1,072 jobs retained.

Source: SAO analyses of the Missouri Quality Jobs annual reports for calendar years 2011, 2010, 2009, 2008, 2007, and 2006. Data on actual credits issued, withholdings retained, and jobs created was not presented in the annual reports until 2008. The 2008 report included cumulative data from previous years.

# Tax Credit Redemptions

The following table shows redeemed tax credits for fiscal years 2008 through 2011 for all state tax credit programs. We did not audit the information.

## Tax Credit Redemptions by Program

Program	Year Ended June 30,			
	2008	2009	2010	2011
Adoption (Special Needs)	\$ 3,095,525	2,222,415	1,894,187	1,346,454
Affordable Housing Assistance	11,392,907	9,917,951	11,647,956	4,880,797
Agricultural Product Utilization Contributor	1,207,849	145,162	114,674	466,048
Alternative Fuel Vehicle Refueling Property	n/a	0	0	23,365
Bank Franchise	2,137,560	2,710,300	2,013,584	4,233,673
Bank Tax Credit for S Corporation Shareholders	1,149,975	1,862,266	1,823,612	2,787,708
Brownfield Jobs/Investment	1,726,005	1,965,406	1,650,222	1,620,384
Brownfield Redevelopment	26,493,252	29,194,789	17,590,273	11,432,109
Business Use Incentives for Large-Scale Development (BUILD)	4,975,510	7,074,994	8,306,413	10,976,914
Business Facility	2,815,251	5,896,798	2,883,729	5,682,965
Cellulose Castings <sup>1</sup>	n/a	n/a	n/a	n/a
Certified Capital Business	9,874,295	4,754,869	495,459	586,135
Charcoal Producers <sup>1</sup>	106,952	134,663	14,642	521,380
Children in Crisis	306,146	403,291	420,857	587,137
Community Development Corporation	11,990	990	5,915	22,703
Development	696,889	966,216	1,589,618	1,001,142
Disabled Access	28,922	17,206	12,526	26,273
Distressed Areas Land Assemblage	0	0	6,731,635	13,534,347
Domestic Violence	750,714	612,456	789,233	757,609
Dry Fire Hydrant	742	11,133	2,634	7,715
Enhanced Enterprise Zone	756,006	1,454,319	2,916,392	4,000,689
Enterprise Zone	13,832,974	6,719,004	1,505,589	1,130,301
Examination Fees and Other Fees <sup>2,3</sup>	2,686,591	4,322,410	5,227,134	4,974,981
Family Development Account	8,749	0	3,000	25,000
Family Farms Act	33,818	88,137	104,798	49,825
Film Production	1,920,709	970,673	1,925,158	1,563,218
Food Pantry	243,711	459,810	793,734	1,081,076
Guarantee Fee	39,694	30,812	n/a	n/a
Health Care Access Fund	0	0	0	0
Historic Preservation	140,111,002	186,426,164	107,973,542	107,767,393
Homestead Preservation	1,030,621	94,337	2,478,624	773,465
Life and Health Guarantee Association <sup>2</sup>	0	0	0	3,260,829
Low Income Housing	98,305,085	105,967,104	142,141,458	143,055,387
Maternity Home	983,153	842,674	762,701	726,355
MDFB Bond Guarantee	0	0	0	0
MDFB Development and Reserve	0	0	0	0



## Appendix B Tax Credit Redemptions

Program	Year Ended June 30,			
	2008	2009	2010	2011
MDFB Export Finance	0	0	0	0
MDFB Infrastructure Development	19,877,329	26,916,508	13,970,215	25,597,348
Missouri Health Insurance Pool <sup>2</sup>	723,364	2,631,835	7,896,391	10,931,565
Missouri Property and Casualty Guarantee Association <sup>2</sup>	1,186,805	2,214,045	592,308	(53)
Missouri Quality Jobs	2,805,251	6,203,572	14,238,179	27,936,799
Neighborhood Assistance	11,039,982	13,202,082	10,065,993	8,513,472
Neighborhood Preservation	5,343,647	5,176,659	6,739,123	4,427,639
New Enterprise Creation	813,513	320,766	77,098	11,499
New Generation Cooperative Incentive	5,068,747	4,190,256	3,287,882	1,984,424
New Jobs Training	4,762,743	4,175,591	3,228,601	3,175,559
Pregnancy Resource	563,669	951,744	1,198,394	1,103,384
Property Tax	100,164,994	118,573,853	118,594,589	114,886,668
Public Safety Officer Surviving Spouse	0	9,583	11,910	16,861
Qualified Beef	0	0	0	9,447
Qualified Equity Investment	0	0	0	1,199,285
Rebuilding Communities	1,967,262	1,548,622	1,553,894	1,277,135
Qualified Research Expense <sup>1</sup>	100,926	n/a	890,135	n/a
Residential Dwelling Accessibility	0	16,363	23,040	20,086
Residential Treatment Agency	214,901	202,900	47,599	323,376
Retain Jobs	5,546,167	9,992,850	8,145,996	5,758,163
Seed Capital	34,317	11,133	0 <sup>4</sup>	0 <sup>4</sup>
Self-Employed Health Insurance	1,039,564	1,729,167	652,850	1,428,143
Shared Care	78,360	92,803	159,222	44,152
Small Business Incubator	252,392	548,639	219,014	107,549
Small Business Investment (Capital)	20,711	30,634	0 <sup>4</sup>	1,701
Sponsorship and Mentoring Program <sup>1</sup>	n/a	n/a	n/a	n/a
Transportation Development <sup>1</sup>	2,223,821	1,066,386	9,176	52,124
Wine and Grape Production	118,844	153,821	112,057	29,411
Wood Energy	1,215,292	4,576,446	1,546,453	3,818,378
Youth Opportunities	4,137,223	4,723,545	4,405,158	3,589,991
Totals	\$ 496,022,421	584,526,152	521,458,689	545,145,614

n/a - Tax credit did not exist in this fiscal year.

<sup>1</sup> The tax credit has expired or has been repealed. Redemptions may be reported due to carry forward provisions.

<sup>2</sup> Redemptions are calendar year rather than fiscal year and are based on the tax year the credit was applied against.

<sup>3</sup> Until the fiscal year 2007 budget process the amount reported by the Department of Insurance, Financial Institutions, and Professional Registration for this credit was only the examination fee portion and not other taxes and fees for which credits were also redeemed.

<sup>4</sup> The tax credit program has met the cumulative program cap.

Source: Office of Administration, Department of Revenue, and tax credit administering agencies



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Gentry County, Missouri

The Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature of Thomas A. Schweich in black ink, written in a cursive style.

Thomas A. Schweich  
State Auditor

June 2012  
Report No. 2012-64

ANNUAL FINANCIAL REPORT

**GENTRY COUNTY, MISSOURI**

For the Years Ended  
December 31, 2011 and 2010

# GENTRY COUNTY, MISSOURI

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## INTRODUCTORY SECTION

GENTRY COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – Rod Dollars

Associate Commissioner – Larry B. Wilson

Associate Commissioner – Gary Carlson

*Other Elected Officials*

Assessor – Sheryl Coburn

Circuit Clerk/Recorder – Janet Parsons

Collector/Treasurer – Linda Combs

Coroner – Noah Mays

County Clerk – Carol Reidlinger

Prosecuting Attorney – Jerome Biggs, Jr.

Public Administrator – Jody Novak

Sheriff – Tim Davis



## **FINANCIAL SECTION**

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Gentry County, Missouri

We have audited the accompanying financial statements of Gentry County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Gentry County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Gentry County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Gentry County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 25, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gentry County, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 25, 2012

GENTRY COUNTY, MISSOURI  
STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents		
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011	Receipts 2011	Disbursements 2011
General Revenue	\$ 594,902	\$ 1,490,110	\$ 1,178,667	\$ 906,345	\$ 1,262,525	\$ 1,131,551	\$ 1,037,319		
Special Road & Bridge	88,315	1,827,793	1,884,931	31,177	1,075,755	991,259	115,673		
Assessment	41,452	135,150	114,098	62,504	123,764	120,193	66,075		
Emergency Preparedness	23,194	10,967	20,745	13,416	11,233	14,003	10,646		
Bad Check	26,442	9,525	4,212	31,755	8,131	7,817	32,069		
Prosecuting Attorney Training	1,483	198	375	1,306	149	-	1,455		
Law Enforcement Training	633	792	1,253	172	600	393	379		
Children's Trust	4,480	235	-	4,715	340	5,000	55		
Prosecuting Attorney Tax Collection	6,320	-	-	6,320	-	-	6,320		
Post Commission	164	518	500	182	500	500	182		
Emergency	228,870	42,205	-	271,075	40,389	-	311,464		
Sheriff's Civil Fees	19,580	13,037	13,393	19,224	13,888	8,603	24,509		
Recorder User	9,829	2,470	-	12,299	2,465	-	14,764		
County Clerk's Election	7,571	980	6,942	1,609	2,130	192	3,547		
Recorder Technology	6,521	1,411	1,908	6,024	1,356	62	7,318		
Special Election	-	5,470	5,470	-	17,450	17,450	-		
Tax Maintenance	33,625	12,560	5,492	40,693	13,061	5,521	48,233		
Sheriff's Revolving	4,216	1,700	3,000	2,916	2,300	638	4,578		
Law Library	3,049	4,467	3,779	3,737	3,615	5,385	1,967		
Law Enforcement Restitution	28,289	6,805	4,566	30,528	9,037	10,921	28,644		
War Memorial	1,910	20	-	1,930	19	-	1,949		
Senior Citizen's Services	11,828	42,736	42,189	12,375	36,786	39,839	9,322		
Levee Restoration Project	2,094	21	-	2,115	21	-	2,136		
Local Emergency Planning Committee	-	9,268	5,300	3,968	2,512	2,599	3,881		
CDBG - Gentryville Project	56	90,736	89,425	1,367	25,810	26,975	202		
Total	\$ 1,144,823	\$ 3,709,174	\$ 3,386,245	\$ 1,467,752	\$ 2,653,836	\$ 2,388,901	\$ 1,732,687		

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENTRY COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND				
Year Ended December 31,				
	2010		2011	
	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>				
Property taxes	\$ 453,000	\$ 472,451	\$ 468,000	\$ 402,821
Sales taxes	292,000	328,366	295,000	295,122
Intergovernmental	218,386	247,799	179,090	182,918
Charges for services	273,110	270,917	269,599	243,387
Interest	10,000	13,229	10,900	16,259
Other	25,742	63,615	76,010	122,018
Transfers in	62,000	93,733	-	-
Total Receipts	\$ 1,334,238	\$ 1,490,110	\$ 1,298,599	\$ 1,262,525
<b>DISBURSEMENTS</b>				
County Commission	\$ 81,554	\$ 78,387	\$ 81,970	\$ 81,015
County Clerk	121,701	107,194	107,680	91,446
Elections	49,100	36,030	11,200	9,497
Buildings and grounds	120,600	95,713	102,900	91,985
Employee fringe benefits	140,700	123,233	140,200	126,070
Treasurer	70,121	67,187	71,272	68,580
Circuit Clerk	17,150	14,481	23,100	21,036
Court administration	2,000	1,066	2,500	2,453
Public Administrator	32,975	32,851	33,912	33,450
Sheriff	367,499	320,006	284,027	261,620
Prosecuting Attorney	71,437	70,427	78,417	77,965
Juvenile Officer	9,053	6,427	9,000	7,939
Coroner	16,362	13,603	15,671	14,673
Other County Government	347,073	158,588	287,691	189,430
Health and Welfare	15,400	12,474	15,900	14,392
Transfers out	40,000	41,000	40,000	40,000
Total Disbursements	\$ 1,502,725	\$ 1,178,667	\$ 1,305,440	\$ 1,131,551
<b>RECEIPTS OVER (UNDER)</b>				
<b>DISBURSEMENTS</b>	\$ (168,487)	\$ 311,443	\$ (6,841)	\$ 130,974
CASH and CASH EQUIVALENTS, JANUARY 1	594,902	594,902	906,345	906,345
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 426,415	\$ 906,345	\$ 899,504	\$ 1,037,319

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND			ASSESSMENT FUND		
	Year Ended December 31,			Year Ended December 31,		
	2010		2011	2010		2011
	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>						
Property taxes	\$ 16,000	\$ 15,351	\$ 16,000	\$ 15,347	\$ -	\$ -
Sales taxes	-	-	-	-	-	-
Intergovernmental	1,732,629	1,688,259	1,435,665	971,212	116,000	131,000
Charges for services	-	-	-	-	600	600
Interest	2,000	1,964	2,000	699	600	650
Other	126,000	122,219	73,000	88,497	-	-
Transfers in	-	-	-	-	-	-
Total Receipts	\$ 1,876,629	\$ 1,827,793	\$ 1,526,665	\$ 1,075,755	\$ 117,200	\$ 132,250
					\$ 135,150	\$ 123,764
<b>DISBURSEMENTS</b>						
Salaries	\$ 143,000	\$ 142,141	\$ 145,000	144,113	\$ 76,138	\$ 77,966
Employee fringe benefits	40,300	36,519	42,400	37,816	22,713	26,712
Materials and supplies	376,000	367,418	351,000	328,779	14,200	14,975
Services and other	48,752	41,165	13,752	10,654	9,675	9,725
Capital outlay	19,000	19,072	30,000	30,000	-	-
Construction	1,116,500	1,106,280	942,000	414,100	-	-
Transfers out	206,000	172,336	25,000	25,797	-	-
Total Disbursements	\$ 1,949,552	\$ 1,884,931	\$ 1,549,152	\$ 991,259	\$ 122,726	\$ 129,378
						\$ 120,193
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	\$ (72,923)	\$ (57,138)	\$ (22,487)	\$ 84,496	\$ (5,526)	\$ 2,872
CASH and CASH EQUIVALENTS, JANUARY 1	88,315	88,315	31,177	31,177	41,452	62,504
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 15,392	\$ 31,177	\$ 8,690	\$ 115,673	\$ 35,926	\$ 65,376
						\$ 66,075

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	EMERGENCY PREPAREDNESS FUND				BAD CHECK FUND			
	Year Ended December 31,		2011		2010		Year Ended December 31,	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	11,366	10,967	10,980	11,233	-	-	-	-
Charges for services	-	-	-	-	10,500	9,525	10,000	8,131
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 11,366	\$ 10,967	\$ 10,980	\$ 11,233	\$ 10,500	\$ 9,525	\$ 10,000	\$ 8,131
DISBURSEMENTS								
Salaries	\$ 10,353	\$ 10,353	\$ 10,509	\$ 10,509	\$ 500	\$ 1,291	\$ 600	\$ -
Employee fringe benefits	1,070	889	1,090	978	-	-	-	-
Materials and supplies	450	75	450	63	2,300	610	2,900	-
Services and other	4,236	2,718	4,846	2,453	6,000	2,311	6,300	2,817
Capital outlay	-	-	-	-	-	-	7,000	5,000
Construction	-	-	-	-	-	-	-	-
Transfers out	6,710	6,710	-	-	-	-	-	-
Total Disbursements	\$ 22,819	\$ 20,745	\$ 16,895	\$ 14,003	\$ 8,800	\$ 4,212	\$ 16,800	\$ 7,817
RECEIPTS OVER (UNDER)	\$ (11,453)	\$ (9,778)	\$ (5,915)	\$ (2,770)	\$ 1,700	\$ 5,313	\$ (6,800)	\$ 314
DISBURSEMENTS								
CASH and CASH EQUIVALENTS, JANUARY 1	23,194	23,194	13,416	13,416	26,442	26,442	31,755	31,755
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 11,741	\$ 13,416	\$ 7,501	\$ 10,646	\$ 28,142	\$ 31,755	\$ 24,955	\$ 32,069

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY TRAINING FUND				LAW ENFORCEMENT TRAINING FUND			
	Year Ended December 31,		2011		Year Ended December 31,		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	200	198	200	149	950	792	800	600
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 200	\$ 198	\$ 200	\$ 149	\$ 950	\$ 792	\$ 800	\$ 600
<b>DISBURSEMENTS</b>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	400	375	400	-	1,300	1,253	900	393
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 400	\$ 375	\$ 400	\$ -	\$ 1,300	\$ 1,253	\$ 900	\$ 393
<b>RECEIPTS OVER (UNDER)</b>	\$ (200)	\$ (177)	\$ (200)	\$ 149	\$ (350)	\$ (461)	\$ (100)	\$ 207
<b>DISBURSEMENTS</b>								
CASH and CASH EQUIVALENTS, JANUARY 1	1,483	1,483	1,306	1,306	633	633	172	172
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 1,283	\$ 1,306	\$ 1,106	\$ 1,455	\$ 283	\$ 172	\$ 72	\$ 379

The accompanying Notes to the Financial Statements are an integral part of these statements.



## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	CHILDREN'S TRUST FUND			PROSECUTING ATTORNEY TAX COLLECTION FUND		
	Year Ended December 31,			Year Ended December 31,		
	2010		2011	2010		2011
	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	350	235	300	340	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total Receipts	\$ 350	\$ 235	\$ 300	\$ 340	\$ -	\$ -
<b>DISBURSEMENTS</b>						
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-
Services and other	500	-	5,000	5,000	-	-
Capital outlay	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Disbursements	\$ 500	\$ -	\$ 5,000	\$ 5,000	\$ -	\$ -
<b>RECEIPTS OVER (UNDER)</b>						
<b>DISBURSEMENTS</b>	\$ (150)	\$ 235	\$ (4,700)	\$ (4,660)	\$ -	\$ -
<b>CASH and CASH EQUIVALENTS, JANUARY 1</b>	4,480	4,480	4,715	4,715	6,320	6,320
<b>CASH and CASH EQUIVALENTS, DECEMBER 31</b>	\$ 4,330	\$ 4,715	\$ 15	\$ 55	\$ 6,320	\$ 6,320

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	POST COMMISSION FUND				EMERGENCY FUND			
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	500	500	500	500	-	-	-	-
Interest	-	-	-	-	-	1,205	400	389
Other	-	18	-	-	-	-	-	-
Transfers in	-	-	-	-	40,000	41,000	40,000	40,000
Total Receipts	\$ 500	\$ 518	\$ 500	\$ 500	\$ 40,000	\$ 42,205	\$ 40,400	\$ 40,389
<b>DISBURSEMENTS</b>								
Salaries	-	-	\$ -	-	-	-	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	650	500	600	500	100,000	-	100,000	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 650	\$ 500	\$ 600	\$ 500	\$ 100,000	\$ -	\$ 100,000	\$ -
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	\$ (150)	\$ 18	\$ (100)	\$ -	\$ (60,000)	\$ 42,205	\$ (59,600)	\$ 40,389
CASH and CASH EQUIVALENTS, JANUARY 1	164	164	182	182	228,870	228,870	271,075	271,075
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 14	\$ 182	\$ 82	\$ 182	\$ 168,870	\$ 271,075	\$ 211,475	\$ 311,464

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	SHERIFF'S CIVIL FEES FUND				RECORDER USER FUND			
	Year Ended December 31,		2011		Year Ended December 31,		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	14,000	13,037	13,200	13,888	2,500	2,470	2,500	2,465
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 14,000	\$ 13,037	\$ 13,200	\$ 13,888	\$ 2,500	\$ 2,470	\$ 2,500	\$ 2,465
<b>DISBURSEMENTS</b>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	1,500	1,380	9,500	5,736	3,500	-	5,000	-
Services and other	7,500	3,013	7,500	2,867	-	-	-	-
Capital outlay	5,000	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	9,000	9,000	-	-	-	-	-	-
Total Disbursements	\$ 23,000	\$ 13,393	\$ 17,000	\$ 8,603	\$ 3,500	\$ -	\$ 5,000	\$ -
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	\$ (9,000)	\$ (356)	\$ (3,800)	\$ 5,285	\$ (1,000)	\$ 2,470	\$ (2,500)	\$ 2,465
CASH and CASH EQUIVALENTS, JANUARY 1	19,580	19,580	19,224	19,224	9,829	9,829	12,299	12,299
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 10,580	\$ 19,224	\$ 15,424	\$ 24,509	\$ 8,829	\$ 12,299	\$ 9,799	\$ 14,764

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COUNTY CLERK'S ELECTION FUND				RECORDER TECHNOLOGY FUND			
	Year Ended December 31,		2011		Year Ended December 31,		2010	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,500	905	1,000	702	1,500	1,411	1,500	1,356
Charges for services	1,500	-	1,500	-	-	-	-	-
Interest	200	65	50	28	-	-	-	-
Other	-	10	-	-	-	-	-	-
Transfers in	-	-	-	1,400	-	-	-	-
Total Receipts	\$ 3,200	\$ 980	\$ 2,550	\$ 2,130	\$ 1,500	\$ 1,411	\$ 1,500	\$ 1,356
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	500	-	1,000	-	-	-	-	-
Services and other	6,300	6,942	1,000	192	2,000	1,908	1,500	62
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 6,800	\$ 6,942	\$ 2,000	\$ 192	\$ 2,000	\$ 1,908	\$ 1,500	\$ 62
RECEIPTS OVER (UNDER)	\$ (3,600)	\$ (5,962)	\$ 550	\$ 1,938	\$ (500)	\$ (497)	\$ -	\$ 1,294
DISBURSEMENTS								
CASH and CASH EQUIVALENTS, JANUARY 1	7,571	7,571	1,609	1,609	6,521	6,521	6,024	6,024
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 3,971	\$ 1,609	\$ 2,159	\$ 3,547	\$ 6,021	\$ 6,024	\$ 6,024	\$ 7,318

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ELECTION FUND				TAX MAINTENANCE FUND			
	Year Ended December 31,		2011		Year Ended December 31,		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	24,000	5,470	24,000	17,450	-	-	-	-
Charges for services	-	-	-	-	14,243	12,560	12,000	13,061
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 24,000	\$ 5,470	\$ 24,000	\$ 17,450	\$ 14,243	\$ 12,560	\$ 12,000	\$ 13,061
<b>DISBURSEMENTS</b>								
Salaries	-	-	-	-	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	833	-	7,956	3,400	3,476	3,800	3,672
Services and other	24,000	4,637	24,000	8,094	17,100	2,016	17,600	1,849
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	1,400	-	-	-	-
Total Disbursements	\$ 24,000	\$ 5,470	\$ 24,000	\$ 17,450	\$ 20,500	\$ 5,492	\$ 21,400	\$ 5,521
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ (6,257)	\$ 7,068	\$ (9,400)	\$ 7,540
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	-	-	-	-	-	33,625	40,693	40,693
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ -	\$ -	\$ -	\$ -	\$ 27,368	\$ 40,693	\$ 31,293	\$ 48,233

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SHERIFF'S REVOLVING FUND				LAW LIBRARY FUND			
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	4,000	4,425	4,200	3,615
Charges for services	1,200	1,700	1,700	2,300	-	-	-	-
Interest	-	-	-	-	-	42	40	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 1,200	\$ 1,700	\$ 1,700	\$ 2,300	\$ 4,000	\$ 4,467	\$ 4,240	\$ 3,615
<b>DISBURSEMENTS</b>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	1,000	-	2,000	638	4,000	3,779	6,000	5,385
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	3,000	3,000	-	-	-	-	-	-
Total Disbursements	\$ 4,000	\$ 3,000	\$ 2,000	\$ 638	\$ 4,000	\$ 3,779	\$ 6,000	\$ 5,385
<b>RECEIPTS OVER (UNDER)</b>	\$ (2,800)	\$ (1,300)	\$ (300)	\$ 1,662	\$ -	\$ 688	\$ (1,760)	\$ (1,770)
<b>DISBURSEMENTS</b>								
CASH and CASH EQUIVALENTS, JANUARY 1	4,216	4,216	2,916	2,916	3,049	3,049	3,737	3,737
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 1,416	\$ 2,916	\$ 2,616	\$ 4,578	\$ 3,049	\$ 3,737	\$ 1,977	\$ 1,967

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT RESTITUTION FUND				WAR MEMORIAL FUND			
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	15	20	20	19
Other	9,000	6,805	9,000	9,037	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 9,000	\$ 6,805	\$ 9,000	\$ 9,037	\$ 15	\$ 20	\$ 20	\$ 19
<b>DISBURSEMENTS</b>								
Salaries	\$ 12,000	\$ 4,566	\$ 4,600	\$ 4,561	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	-	-	7,400	6,360	1,000	-	1,000	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 12,000	\$ 4,566	\$ 12,000	\$ 10,921	\$ 1,000	\$ -	\$ 1,000	\$ -
<b>RECEIPTS OVER (UNDER)</b>	\$ (3,000)	\$ 2,239	\$ (3,000)	\$ (1,884)	\$ (985)	\$ 20	\$ (980)	\$ 19
<b>DISBURSEMENTS</b>								
CASH and CASH EQUIVALENTS, JANUARY 1	28,289	28,289	30,528	30,528	1,910	1,910	1,930	1,930
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 25,289	\$ 30,528	\$ 27,528	\$ 28,644	\$ 925	\$ 1,930	\$ 950	\$ 1,949

The accompanying Notes to the Financial Statements are an integral part of these statements.

## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SENIOR CITIZEN'S SERVICES FUND				LEVEE RESTORATION PROJECT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ 43,500	\$ 42,412	\$ 45,000	\$ 36,520	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	400	197	180	92	-	21	-	21
Other	200	127	150	174	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 44,100	\$ 42,736	\$ 45,330	\$ 36,786	\$ -	\$ 21	\$ -	\$ 21
<b>DISBURSEMENTS</b>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	100	-	100	-	-	-	-	-
Services and other	46,800	42,189	47,200	39,839	2,094	-	2,115	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 46,900	\$ 42,189	\$ 47,300	\$ 39,839	\$ 2,094	\$ -	\$ 2,115	\$ -
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	\$ (2,800)	\$ 547	\$ (1,970)	\$ (3,053)	\$ (2,094)	\$ 21	\$ (2,115)	\$ 21
CASH and CASH EQUIVALENTS, JANUARY 1	11,828	11,828	12,375	12,375	2,094	2,094	2,115	2,115
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 9,028	\$ 12,375	\$ 10,405	\$ 9,322	\$ -	\$ 2,115	\$ -	\$ 2,136

The accompanying Notes to the Financial Statements are an integral part of these statements.



## GENTRY COUNTY, MISSOURI

## COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LOCAL EMERGENCY PLANNING COMMITTEE FUND				CDBG - GENTRYVILLE PROJECT FUND			
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2010	2011	2010	2011	2010	2011	2010	2011
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	2,627	2,558	2,558	2,512	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	133	-	13
Other	-	-	-	-	-	-	-	-
Transfers in	6,710	6,710	-	-	116,000	90,603	30,000	25,797
Total Receipts	\$ 9,337	\$ 9,268	\$ 2,558	\$ 2,512	\$ 116,000	\$ 90,736	\$ 30,000	\$ 25,810
<b>DISBURSEMENTS</b>								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	1,500	1,430	908	133	-	-	-	-
Services and other	3,976	3,870	2,515	2,466	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	116,000	89,425	30,000	26,975
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ 5,476	\$ 5,300	\$ 3,423	\$ 2,599	\$ 116,000	\$ 89,425	\$ 30,000	\$ 26,975
<b>RECEIPTS OVER (UNDER)</b>	\$ 3,861	\$ 3,968	\$ (865)	\$ (87)	\$ -	\$ 1,311	\$ -	\$ (1,165)
<b>DISBURSEMENTS</b>								
CASH and CASH EQUIVALENTS, JANUARY 1	-	-	3,968	3,968	56	56	1,367	1,367
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 3,861	\$ 3,968	\$ 3,103	\$ 3,881	\$ 56	\$ 1,367	\$ 1,367	\$ 202

The accompanying Notes to the Financial Statements are an integral part of these statements.

GENTRY COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gentry County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are eight elected Constitutional Officers: Assessor, Collector/Treasurer, County Clerk, Circuit Clerk-Recorder, Coroner, Prosecuting Attorney, Public Administrator, and Sheriff.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Gentry County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered by the Missouri State Auditor's Office to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector/Treasurer, Circuit Clerk/Recorder and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

The County participates in a joint venture arrangement with the counties of DeKalb and Worth for operation of the Tri-County Health Department. Financial statements of the Tri-County Health Department can be obtained by contacting the Department's Administrator at 302 North Park, Stanberry, MO 64489.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

### C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

### D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.

9. Adoption of a formal budget is required by law.

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following fund:

<u>Fund</u>	<u>2011</u>	<u>2010</u>
County Clerk's Election	N/A	X

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010, for purposes of taxation were:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 58,390,175	\$ 56,692,540
Personal Property	23,129,252	21,420,412
Railroad and Utilities	3,260,933	3,306,244

During 2011 and 2010, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar years 2011 and 2010, for purposes of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue	\$ 0.5405	\$ 0.5384
Senior Citizens Services	0.0500	0.0500

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash and investment balances are presented in Note 2.

## G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

## 2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amounts of the County's deposits, were \$1,732,687 and \$1,467,752, respectively, and the bank balances were \$1,871,788 and \$1,634,274, respectively. Of the bank balances, \$412,844 and \$617,233 for December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance and the remainder were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue and Senior Citizen's Services funds. Tax Collections on deposit amounted to \$4,458,169 and \$3,914,364 at December 31, 2011 and 2010, respectively. The County Collector's deposits were covered by federal depository insurance of \$250,000 as of December 31, 2011 and 2010, and the remainder was covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

## 3. COUNTY EMPLOYEES' RETIREMENT PLANS

### A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

#### 1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose

performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

## 2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

## 3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$70,616 and \$68,544, respectively, for the years then ended.

## 4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

## 5. CLAIMS, COMMITMENT AND CONTINGENCIES

### A. Compensated Absences

The County provides full time employees and part-time employees who occupy regular budgeted positions with sick time which accrues at the rate of one and one-half days per calendar month of employment, without limitation. Upon termination, no payment will be made for unused days. Vacation time is accrued for every full time employee, and accrues at the rate of two weeks per year. Vacation must be used within one year of the year it was accrued or it is lost. On termination of employment, no more than two weeks unused vacation may be paid to an employee.

### B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

## 6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

## 7. RESTATEMENT OF PRIOR AUDIT BALANCES

The County has changed its definition of the reporting entity, as of January 1, 2010, to exclude the MOPS and Deputy Sheriff Salary Supplemental funds, as these funds are fiduciary in nature, and the 911 Fund as a result of a legislative change adopted as RSMo 190.339.02, and to include the beginning balance of the CDBG-Gentryville Project fund. The effect of the

aforementioned change in reporting entity is to decrease cash balances of the governmental funds as previously reported at December 31, 2009 by the amount representing cash balances of the MOPS, Deputy Sheriff Salary Supplemental and 911 funds, which were \$150, \$890 and \$176,915 respectively, and to increase the cash balances reported at December 31, 2009 by the amount representing the beginning balance of the CDBG-Gentryville Project fund, which was \$56.

The cash balances of the General Revenue and Emergency funds as of January 1, 2010 have been increased by \$100,000 each to include Certificates of Deposit that were opened during 2009 but were not included in the ending cash balances of those funds as reported in the prior year financial statements.

#### 8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 25, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



## COMPLIANCE SECTION

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## McBRIDE, LOCK & ASSOCIATES

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Gentry County, Missouri

We have audited the accompanying financial statements of Gentry County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of Gentry County, Missouri is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Gentry County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gentry County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gentry County, Missouri's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 1 through 5, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gentry County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 6 through 8.

Gentry County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Gentry County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 25, 2012

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission and  
Officeholders of Gentry County, Missouri

Compliance

We have audited Gentry County, Missouri's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the years ended December 31, 2011 and 2010. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2011 and 2010.

### Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 25, 2012

GENTRY COUNTY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2010	2011
	U. S. DEPARTMENT OF AGRICULTURE			
10.766	Community Facility Grant	29-038-446000503	\$ 20,200	\$ -
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through State Department of Economic Development:			
14.228	Community Development Block Grants/State's Program	2009-EM-03	90,603	25,797
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through State Highway and Transportation Commission:			
20.205	Highway Planning and Construction	BRO-038(19)	74,894	-
		BRO-038(20)	532,236	78,921
		BRO-038(21)	219,232	16,320
		BRO-038(22)	235,561	16,851
		BRO-038(23)	18,540	139,723
		BRO-038(24)	17,680	155,874
		BRO-038(25)	-	47,430
	GENERAL SERVICES ADMINISTRATION			
	Passed through State Office of Administration:			
39.003	Donation of Federal Surplus Personal Property	N/A	11,798	-
	U. S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through State Department of Public Safety:			
97.036	Disaster Grants - Public Assistance Grants (Presidentially declared disasters)	1773-DR-MO	4,726	-
97.042	Emergency Management Performance Grants	EMPG	8,946	-
97.067	Homeland Security Grant Program	EMPG	-	9,065
	Total Expenditures of Federal Awards		<u>\$ 1,234,416</u>	<u>\$ 489,981</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**GENTRY COUNTY, MISSOURI**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE C – SUBRECIPIENTS**

The County provided no federal awards to sub-recipients during the years ended December 31, 2011 and 2010.

GENTRY COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
YEARS ENDED DECEMBER 31, 2011 AND 2010

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of Auditors' Report Issued:

Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified?

\_\_\_ Yes X No

- Significant deficiencies identified that are  
not considered to be material weaknesses?

X Yes \_\_\_ None Reported

- Noncompliance material to financial  
statements noted?

\_\_\_ Yes X No

**Federal Awards:**

Internal Control Over Major Programs:

- Material weakness(es) identified?

\_\_\_ Yes X No

- Significant deficiencies identified that are  
not considered to be material weaknesses?

\_\_\_ Yes X None Reported

Type of Auditor's Report Issued on Compliance  
For Major Programs:

Unqualified

Any audit findings disclosed that are required to be  
Reported in accordance with section 510(A) of  
Circular A-133?

\_\_\_ Yes X No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.205

Highway and Transportation – Highway Planning  
and Construction

Dollar Threshold Used to Distinguish Between  
Type A and Type B Programs:

\$300,000

Auditee Qualified as low-risk:

\_\_\_ Yes X No



## **SECTION II – FINANCIAL STATEMENTS FINDINGS**

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

1. Pay Rate Authorizations
2. Interfund Transfers
3. Treasurer's Bank Reconciliations
4. Sheriff's Office Internal Controls
5. Employee Timesheets
6. Budgetary Controls
7. Absence of Investment Policy
8. Accounting for Certificates of Deposit

Summary Schedule of Prior Audit Findings:

1. Personnel Files
2. Interfund Transfers
3. Procurement Practices
4. 911 Board Payroll
5. Sheriff's Bank Reconciliations
6. 911 Board Accounting Controls
7. Budgetary Controls
8. Insufficient Collateral
9. Absence of Investment Policy
10. Law Library Financial Reporting
11. Authorized Signers

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

## **SECTION IV – FOLLOW-UP ON PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### **09-1. Incorrect Schedule of Expenditures of Federal Awards**

The County Clerk did not prepare an accurate SEFA for the years ending December 31, 2008 and 2009 as required by Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 300(A). Expenditures incurred in 2008 were incorrectly included on the December 31, 2009 SEFA.

*Status – Resolved.*

## **FINDINGS AND RECOMMENDATIONS**

GENTRY COUNTY, MISSOURI  
FINDINGS AND RECOMMENDATIONS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

None

**SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

**1. Pay Rate Authorizations**

Condition: The County does not keep an updated record of each employee's pay rate in their personnel file or in the form of an approved County-wide pay scale. When an employee receives an increase in compensation there is no evidence of the effective date of the increase, the amount of the increase or whether the increase was properly approved. Currently the Deputy Clerk keeps an informal list of salary levels at her desk to use as a reference during payroll processing. Cost of living increases are noted in the Commission Minutes, however, the minutes only indicate a percentage increase and do not constitute an approved pay scale. Also, documentation is not maintained to indicate when an employee changes positions within the County. The County Clerk indicated that employees are verbally notified of position changes.

Without adequate documentation in the personnel files, payroll expenditures, which constitute a significant portion of the County's total expenditures, cannot be properly supported. Further lack of support for approved compensation levels could jeopardize claims for labor cost reimbursements by grantor agencies.

Recommendation: We recommend that the County maintain proper documentation in each employees personnel file such as approved pay rates and job titles to properly support salary expenditures.

County's Response: We will place a copy of the pay rate schedule in each employee's file marked with their years of employment and the corresponding pay rate. A copy of this schedule will also be approved by the Commission in general session and attached to the minutes. If any employee changes positions within the county, we will note that in their file.

Auditor's Evaluation: The response is appropriate to correct the concern.

**2. Interfund Transfers**

Condition: Transfers in recorded in the County's budget documents did not equal transfers out in either 2010 or 2011. Transfers should be recorded for transactions between County funds, should be clearly identified on the budget, and should be in balance at all times. The imbalances were the result of one fund recording a transaction as a transfer while the other fund is recording the transaction as either a revenue or expense.

The County also overstated revenues and expenses by improperly recording transfers between funds. Grant money received by the Special Road & Bridge fund in 2010 and 2011 and transferred to the CDBG – Gentryville Project fund was recorded as intergovernmental revenue in both funds. Also, the expenditures of the grant money by the CDBG – Gentryville Project fund were also recorded as construction expenditures in the Special Road & Bridge fund.

The financial statements presented in this report have been revised to balance transfers in and transfers out between funds.

Recommendation: We recommend that the County ensure that transactions between funds are recorded as transfers in and out and that they are in balance at all times.

County's Response: We will ensure that transactions between funds are consistently recorded as transfers and in balance.

Auditor's Evaluation: The response is appropriate to correct the concern.

### **3. Treasurer's Bank Reconciliations**

Condition: The reconciliations of the Treasurer's main checking account at December 31, 2010 and December 31, 2011 listed three and five outstanding checks, respectively, that were more than 90 days old. The Treasurer's checks include the statement "Void After 90 Days", therefore, these checks should have been considered voided and should not have been listed on the bank reconciliations.

Recommendation: We recommend that the Treasurer remove checks from the bank reconciliations if they are still outstanding after 90 days and issue a new check if necessary.

County's Response: I will watch my outstanding checks close and issue new checks before they are 90 days outstanding.

Auditor's Evaluation: The response is appropriate to correct the concern.

### **4. Internal Controls Over Sheriff's Office Fiscal Processes**

Condition: The Sheriff performs substantially all of the fiscal processes in his office without participation or review by another party. The Sheriff is responsible for receiving monies collected by his office for various fees, recording the receipts in the receipt book, preparing the deposit slips and depositing the money. Separation of various aspects of a transaction is important to help prevent and detect misappropriation of funds.

Recommendation: We recommend that the County Commission implement procedures to ensure that all revenues collected by the Sheriff's Office and accruing to the County are properly recorded, reported and deposited. These controls may include receipt and review of the Sheriff's bank statements by another County official in order to compare these documents to amounts deposited with and reported to the County Treasurer. Alternatively, the duties of collecting, recording and controlling cash within the Sheriff's Office could be assigned to separate personnel within the office in order to provide a system of checks and balances over financial transactions.

County's Response: I, Sheriff Tim Davis of the Gentry County Sheriff's Office, will have a County employee review my books, receipts, and bank statements 1-2 times per month.

Auditor's Evaluation: The response is appropriate to correct the concern.

## **5. Employee Timesheets**

Condition: As part of our testing in the area of personnel, we selected a sample of employee timesheets to review for proper implementation of controls. According to the County's prescribed internal control procedures, timesheets should be signed by the employee and the employee's direct supervisor. However, we noted that the Road & Bridge department head does not have a supervisor's signature on his timesheets. According to the County Clerk, she reviews his timesheets every month and takes them to the Commission if she notes any issues, however, she does not sign off on his timesheet to certify that his reported hours are correct. A documented approval of timesheets is not only an important internal control, it is also required by Federal regulations to support salary charges to all Federal awards which, while not the situation for the timesheets tested, could expose the County to disallowed costs by grantor agencies.

Recommendation: We recommend that an elected official, such as the County Clerk, or County Commissioner with the most knowledge of the Road & Bridge department head's hours worked sign off on his monthly timesheets in order to certify that the hours he is reporting for payment are correct.

County's Response: The County Clerk will begin signing the timesheets of the Road and Bridge Supervisor.

Auditor's Evaluation: The response is appropriate to correct the concern.

## **ITEMS OF NONCOMPLIANCE**

## **6. Budgetary Controls**

Condition: Actual expenditures exceeded budgeted amounts for the County Clerk's Election fund in 2010. State statutes prohibit the County from approving expenditures in excess of the budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

Recommendation: We recommend that the County ensure that formal budgets are prepared for all funds and that the County refrain from approving expenditures in excess of budgeted amounts or formally amend the budget if conditions require additional expenditures.

County's Response: We will ensure that formal budgets are prepared and closely followed. Budgets will be formally amended when necessary.

Auditor's Evaluation: The response is appropriate to correct the concern.

## **7. Absence of Investment Policy**

Condition: The County has not adopted an investment policy as required by State Statutes. An investment policy addresses topics such as collateralization of deposits, strategy with respect to investment of public funds, and other areas, and thus such a policy would be beneficial and also required for the County. Section 110.270, RSMo 2007, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2007, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation.

Recommendation: We recommend the County adopt an investment policy and review compliance with this policy at least annually. Additionally, the Missouri State Treasurer's Office has a model investment policy for political subdivisions on its website that the County can use as guidance.

County's Response: We have done research on an investment policy and plan to adopt and follow the investment policy from the State Treasurer's website.

Auditor's Evaluation: The response is appropriate to correct the concern.

## **8. Accounting for Certificates of Deposit**

Condition: The County opened a \$150,000 Certificate of Deposit (CD) using General Revenue funds during 2010. However, the County incorrectly recorded this transaction as an expense of the General Revenue fund, which resulted in the cash balance of the General Revenue fund in the budget and published financial statements being understated by the balance of the CD, which was \$151,467 at December 31, 2010 and \$153,246 at December 31, 2011. Additionally, interest earned by this CD of \$1,467 and \$1,779 during 2010 and 2011, respectively, was not reported as interest revenue of the General Revenue fund.

Recommendation: We recommend that the County Clerk ensure that transactions related to Certificates of Deposit are recorded correctly and that all County money is reported in the cash balances of the County's funds on the budgets and published financial statements.

County's Response: The cash balances of the CD's will be recorded correctly in the budget and financial statements.

Auditor's Evaluation: The response is appropriate to correct the concern.

GENTRY COUNTY, MISSOURI  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Gentry County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

1. The County does not keep an updated record of each employee's pay rate in their personnel file or in the form of an approved County-wide pay scale.

*Status – Not resolved. See finding No. 1.*

2. Transfers out exceeded transfers in during 2008 and transfers in exceeded transfers out during 2009.

*Status - Not resolved. See finding No. 2.*

3. The County did not have controls in place during 2008 to prevent invoices from potentially being presented for payment more than once and to ensure that goods or services that the County has been billed for have been received. These controls were implemented for 2009 after the issuance of the prior audit recommendations. However, we noted a number of instances in 2009 where the County did not comply with these newly implemented control procedures.

*Status – Resolved.*

4. During our audit tests pertaining to the 911 Board, we identified one instance of an overpaid employee.

*Status – Not involved in the scope of the current audit because of legislative change.*

5. The Sheriff's Office did not prepare monthly bank reconciliations or any identification of outstanding checks or deposits in transit in 2009.

*Status – Partially resolved. The Sheriff prepared monthly bank reconciliations, however, other issues were noted with internal controls in the Sheriff's office. See finding No. 4.*

6. Expenditures as shown on the 911 Board's financial statements for the years ending December 31, 2008 and 2009 did not agree with expenditures reported to the County Clerk for inclusion in the Gentry County budget. Additionally, certain amounts listed on the 911 Board's financial statements are not mathematically accurate.

*Status – Not involved in the scope of the current audit because of legislative change.*

7. We noted three issues with the County's budgeting process during our audit:

A) The General Revenue, Road & Bridge, and Deputy Sheriff's Salary Supplemental funds had a negative ending cash balance in the 2009 budget.

B) The County did not adopt a formal budget for the Law Library fund in 2009 as required by law.

C) Actual expenditures exceeded budgeted expenditures for one fund in 2008 and three funds in 2009.

*Status – A) Resolved. B) Resolved. C) Not resolved. See finding No. 6.*

8. Bank account balances of Gentry County were under-collateralized on December 31, 2008 by \$2,130,630.

*Status – Resolved.*

9. The County has not adopted an investment policy as required by State Statutes.

*Status – Not resolved. See finding No. 7.*

10. Formal budgets were not prepared for the 2009 Law Library fund. Additionally, actual financial information (receipts, disbursements and cash balances) for the Law Library fund was not provided.

*Status – Resolved.*

11. The Treasurer's two bank accounts for the DePriest Cemetery Association both list the previous Treasurer and her assistant as authorized signers, both of which are no longer employed by the County. However, the current Treasurer and her assistant are not listed as authorized signers.

*Status – Resolved.*





Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Schuyler County



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June 2012

Report No. 2012-63

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<http://auditor.mo.gov>

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# Schuyler County

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Schuyler County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2012-09, *Schuyler County*, issued in February 2012. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by the county and held discussions with county officials. Documentation included various accounting records, bank statements, and invoices. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

Thomas A. Schweich  
State Auditor

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# Schuyler County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Payroll Controls and Procedures      Various payroll controls and timekeeping procedures needed improvement.

1.1 Timesheets and Leave Records      Salaried county employees who were not exempt from overtime requirements of the Fair Labor Standards Act (FLSA) of 1938 did not prepare timesheets. In addition, the County Clerk's office was not notified of actual time worked or leave taken for these individuals. The County Clerk's office did not keep centralized records of employee leave or compensatory time balances.

Recommendation      The County Commission require all county employees to prepare timesheets. These timesheets should be signed by the employee, approved by the appropriate supervisor, and filed with the County Clerk. In addition, centralized leave records should be maintained for all county employees.

Status      **In progress**

The county indicated all employees are required to prepare and submit timesheets to the County Clerk's office for each pay period. Centralized leave records for hourly employees are maintained and centralized leave records for salaried employees are in process.

1.2 Sheriff Employees      The Sheriff's time and leave policies may not have complied with the FLSA. While seven dispatchers were paid hourly and prepared timesheets (and were paid overtime for more than 40 hours per week), the Sheriff did not require two deputies to prepare timesheets or otherwise report total hours worked. The deputies were salaried and routinely worked more than 40 hours per week or more than 171 hours during a 28-day period; however, the deputies were not paid overtime and did not earn compensatory time.

While the FLSA exempts law enforcement agencies from overtime requirements if there are less than five law enforcement employees during a work week, it appears the dispatchers may qualify as law enforcement employees because they serve as jailers when the Sheriff or deputies are not at the jail. According to 29 CFR § 553.211(f), security personnel in correctional institutions should be included when calculating the number of employees for exemption purposes.

Recommendation      The Schuyler County Commission and the Sheriff review the Sheriff's time and leave policies to ensure compliance with the FLSA.

Status      **Implemented**

The county obtained a written opinion from outside legal counsel which indicated the Sheriff's leave policies are in compliance with the FLSA.



Schuyler County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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## 2.1 Mileage Expenses

Adequate vehicle mileage records were not maintained, and as a result, duplicate payments may have been made to the Sheriff and a Sheriff's deputy. The Sheriff and one of the two deputies used their personal vehicles for official duties (the other deputy used a county-owned vehicle), and were each reimbursed mileage by the county for a monthly maximum of 2,000 miles. In addition to the monthly maximum amount, the Sheriff and deputy were reimbursed by the county for mileage incurred for the transportation of prisoners to Missouri Department of Correction facilities and for civil process mileage incurred when serving court documents. Mileage logs maintained by the Sheriff and deputy did not adequately identify civil process and prisoner transportation mileage.

### Recommendation

The County Commission work with the Sheriff to ensure mileage records are maintained to prevent duplicate mileage payments for prisoner transportation and civil process.

### Status

#### **Implemented**

Civil process and prisoner transportation mileage is identified separately on daily logs and deducted from total miles reported for monthly reimbursement.

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## 3.1 Fuel Use

Mileage and fuel use logs were not maintained for road and bridge vehicles and equipment, and fuel use was not reviewed or reconciled to fuel purchased.

### Recommendation

The County Commission require mileage and fuel use logs for all vehicles and equipment and review the logs for reasonableness. In addition, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.

### Status

#### **Partially implemented**

The county has established logs to record fuel pumped for each bulk fuel tank and reconciles fuel pumped to fuel purchases. The county has not established separate mileage and fuel logs for each county vehicle and equipment.

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## 5.1 Sheriff's Segregation of Duties

Accounting duties were not adequately segregated, and the Sheriff indicated he performed no supervisory reviews of accounting records.

### Recommendation

The Sheriff adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented.



Schuyler County  
Follow-up Report on Prior Audit Findings  
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Status

**Not implemented**

The Sheriff's bookkeeper continues to be responsible for all accounting duties, and independent or supervisory reviews of accounting records are not performed.

5.2 Sheriff's Receipting and  
Depositing Procedures

Some receipts were not recorded immediately upon receipt, and receipt slips were not issued for some monies received. Additionally, receipts were not recorded on a cash control ledger or reconciled to amounts deposited or transmitted to other agencies.

Recommendation

The Sheriff issue pre-numbered receipt slips for all monies received immediately upon receipt. Additionally, the Sheriff should ensure monies are recorded on a cash control ledger and reconciled to deposits and transmittals, including the composition of receipts to deposits.

Status

**Implemented**

Review of April 2012 receipts in the Sheriff's office indicates the office is issuing receipt slips for all monies received and is recording receipts on a cash control ledger. Amounts recorded on the cash control ledger are reconciled to deposits and transmittals, including the composition of receipts to deposits.

5.3 Sheriff's Bank  
Reconciliations and  
Liabilities

The Sheriff's office did not prepare bank reconciliations on a monthly basis. In addition, the Sheriff's office did not prepare monthly lists of liabilities, and therefore, liabilities were not reconciled to the balance in the Sheriff's bank account. Upon our request, the Sheriff's office prepared bank reconciliations through the month of August 2011. At August 31, 2011, the reconciled bank balance exceeded identified liabilities by \$874.

Recommendation

The Sheriff prepare formal bank reconciliations monthly and reconcile bank balances to monthly lists of liabilities ensuring any differences between accounting records and reconciliations are investigated and resolved. Additionally, after sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.

Status

**Partially implemented**

The Sheriff's office distributed the unidentified balance of \$874 to the County Treasurer as unclaimed property. Formal bank reconciliations and liabilities lists were not prepared after August 31, 2011.

5.4 Sheriff's Monthly  
Transmittals

The Sheriff did not always transmit fees to the County Treasurer on a timely basis.



Schuyler County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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Recommendation

The Sheriff transmit fees monthly to the County Treasurer.

Status

**Implemented**

The Sheriff's office has transmitted fees monthly to the County Treasurer since February 2012.

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6.1 Prosecuting Attorney's  
Segregation of Duties

Accounting duties were not adequately segregated, and the Prosecuting Attorney indicated he performed no supervisory reviews of accounting records.

Recommendation

The Prosecuting Attorney adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

Status

**Implemented**

The Prosecuting Attorney indicated he reviews the bad check receipts ledger and signs the monthly report of fees collected and transmitted to the County Treasurer.

6.2 Prosecuting Attorney's  
Tracking Procedures

Bad check complaint forms prepared by merchants were not numbered, nor was a separate case file prepared for each bad check filing. The same sequence of prenumbered receipt slips was used when both a bad check complaint form was received and when payment was made. Monthly transaction ledgers did not allow for adequate tracking of the disposition of bad checks.

Recommendation

The Prosecuting Attorney develop procedures and records that provide sufficient information to track each bad check complaint from the date filed to the ultimate disposition.

Status

**Implemented**

Bad check complaint forms are numbered and case files are prepared for each complaint. The Prosecuting Attorney's office has established a spreadsheet to record all bad check complaints received and their disposition.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Schuyler County Collector And Property Tax System



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June 2012

Report No. 2012-62

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<http://auditor.mo.gov>



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# Schuyler County Collector and Property Tax System

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
County Collector of Schuyler County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-112, *Schuyler County Collector and Property Tax System*, issued in December 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by the county and held discussions with county officials. Documentation included various accounting records and bank statements. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

Thomas A. Schweich  
State Auditor

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# Schuyler County Collector and Property Tax System

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Missing Monies	Weaknesses in internal controls and record keeping procedures of the County Collector's office and property tax system allowed missing monies of at least \$568,974 to go undetected. Information regarding these missing monies was shared with law enforcement authorities. On June 27, 2011, Kathy Roberts (former County Collector) ceased performing duties related to the County Collector's office, and on August 31, 2011, Roberts resigned her position as Schuyler County Collector. Criminal charges were filed on October 27, 2011.
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Recommendation	The County Commission and County Clerk take necessary action to recover the missing monies and work with law enforcement authorities regarding any criminal prosecution.
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Status	<p><b>In progress</b></p> <p>On December 19, 2011, Kathy Roberts pled guilty in federal court to one felony count of mail fraud. She was sentenced to 33 months in federal prison and ordered to pay restitution of \$568,974. On June 6, 2012, she pled guilty in state court to felony stealing and was placed on 5 years probation. The county is currently working with its bonding company and law enforcement to recover missing monies.</p>
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2. Property Tax System Controls and Procedures	Significant weaknesses were noted in controls and procedures over the property tax system.
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2.1 Delinquent tax books	The county did not prepare separate delinquent property books, and no one totaled the unpaid entries in the tax books to obtain and document delinquent tax totals. As a result, the County Clerk and the County Commission did not verify the accuracy of delinquent tax totals claimed by the former County Collector.
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Recommendation	The County Commission and County Clerk establish procedures to prepare delinquent tax books. If preparation of delinquent tax books is not feasible, the County Clerk should total and verify delinquent tax amounts annually on March 1 and document all procedures performed.
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Status	<p><b>Implemented</b></p> <p>The County Clerk's office reviewed the delinquent tax books and prepared delinquent tax totals for the County Collector's year beginning March 1, 2012.</p>
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2.2 Additions and abatements	Controls over property tax additions and abatements were not adequate. There was no independent comparison of property assessment changes made by the County Assessor to the related changes in the property tax
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Schuyler County Collector and Property Tax System  
Follow-up Report on Prior Audit Findings  
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books made by the former County Collector. In addition, the County Commission only approved changes in assessed valuations and did not approve the related tax book additions and abatements.

**Recommendation**

The County Commission and County Clerk work with the County Assessor to ensure all tax book additions and abatements are properly recorded, approved, and charged to the County Collector.

**Status**

**Implemented**

The County Assessor's office enters changes to assessed valuation into the computerized tax system, and the County Collector's office prepares amended tax bills from the system and tax book additions and abatements. The County Clerk receives monthly reports of changes in assessed valuations from the County Assessor and reconciles this information to the additions and abatements prepared by the County Collector.

**2.3 Review of annual settlements**

Neither the County Commission nor the County Clerk adequately reviewed or verified the amounts on the annual settlements prepared by the former County Collector. As a result, incorrect amounts recorded on the settlements prepared by the former County Collector went undetected.

**Recommendation**

The County Commission and County Clerk review the accuracy and completeness of the County Collector's monthly and annual settlements. This could be accomplished by the County Clerk maintaining a complete and accurate account book with the County Collector of all tax book changes and credits

**Status**

**In progress**

The County Clerk maintains an account book with the County Collector and reviews the monthly settlements for accuracy and completeness. The annual settlement for the year ended February 29, 2012, had not been prepared as of May 30, 2012.

**3. County Collector's Controls and Procedures**

Significant weaknesses existed in the former County Collector's accounting controls and procedures.

**3.1 Receipts and deposits**

The former County Collector did not record some property tax receipts on abstract reports and did not adequately reconcile receipts to bank deposits. In addition, the method of payment was not indicated on some tax statements, and the composition of receipts was not always reconciled to the composition of deposits.

**Recommendation**

The County Collector record all receipts on the abstract lists and reconcile receipts to deposits by preparing daily totals on the abstract lists which



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Schuyler County Collector and Property Tax System  
Follow-up Report on Prior Audit Findings  
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agree to daily deposits. Additionally, the method of payment should be recorded on all tax statements, and the composition of receipts should be reconciled to the composition of deposits. Any differences should be investigated and explained.

**Status**

**Implemented**

Receipts are recorded on the computerized tax system, including method of payment, and reconciled to daily deposits.

**3.2 Bank reconciliations and liabilities**

Documentation of monthly bank reconciliations was not always prepared or retained by the former County Collector. In addition, the former County Collector did not adequately reconcile liabilities to the bank account balances.

**Recommendation**

The County Collector prepare and retain accurate monthly bank reconciliations. In addition, monthly lists of liabilities should be prepared and reconciled to the monthly bank balances.

**Status**

**Implemented**

Since the current County Collector took office in November 2011, monthly bank reconciliations have been prepared and the cash balances have been reconciled monthly to liabilities.

**3.3 Partial payments**

Receipt slips for partial payments were not numbered and the former County Collector did not issue receipt slips for some partial payments received. In addition, the former County Collector did not maintain a ledger or other record to adequately identify amounts collected and balances due from each taxpayer.

**Recommendation**

The County Collector maintain accurate records of all partial payments received and due, including reconciling amounts collected to amounts held in the bank account. Additionally, pre-numbered receipt slips should be issued for all partial payments received.

**Status**

**Implemented**

Partial payments are recorded on the computerized tax system and on a manual ledger, and partial payments held are included in the monthly reconciliation of liabilities to the bank account balances.



# Thomas A. Schweich

Missouri State Auditor

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## Wright County



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June 2012

Report No. 2012-61

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Wright County

Prosecuting Attorney	Some of the weaknesses in the Prosecuting Attorney's office identified in prior audit reports still exist. Accounting duties are not adequately segregated, and no one compares the deposit amount to corresponding receipt slips. Receipts are not always recorded or deposited timely, and receipts are stored in an unlocked drawer until deposited. The Prosecuting Attorney's office did not prepare bank reconciliations during 2011 and 2010 and did not maintain check book or other accounting balances for its two bank accounts. At our request, personnel compared identified liabilities to reconciled bank balances and found unidentified amounts of \$19,218 and \$1,226 in the bad check and court-ordered restitution accounts, respectively. Some restitution receipts have not been disbursed in a timely manner, and some case files for amounts received prior to 2007 could not be located. The Prosecuting Attorney's office does not maintain an accounts receivable list to track court-ordered restitution due from defendants, and one amount due of \$12,639 was beyond the statute of limitations and uncollectible. The Prosecuting Attorney's office does not fully utilize the computerized bad check system and has not generated available reports to account for the numerical sequence of all cases and to ensure cases are appropriately collected or prosecuted.
Sheriff	The Sheriff's office has made improvements since the last audit, but certain accounting controls and procedures still need improvement. Accounting duties are not adequately segregated, the Sheriff does not document his occasional review of bank reconciliations, and there are no other independent reviews of the records, making it difficult to ensure the accounting records are complete and accurate. Seized property records are not complete and accurate, and the procedures to account for seized property need improvement. The Sheriff's office does not reconcile fuel used to fuel purchased, and for calendar year 2011 could not account for 3,421 gallons of fuel purchased.
Closed Meetings	The County Commission did not prepare minutes for some closed meetings during 2010 and 2011, as required by state law.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	During the audit period, Wright County received a \$22,000 Energizing Missouri Communities grant. The county used this grant and a 0 percent loan from the Missouri Department of Natural Resources to purchase a \$78,000 computerized temperature control system for the courthouse. The project did not have a measurable effect on the local economy and created no sustainable jobs, but county personnel report a 30 percent savings in related utility costs.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**



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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Wright County

We have audited certain operations of Wright County in fulfillment of our duties under Section 29.230, RSMo. In addition, Davis, Lynn & Moots, P.C., Certified Public Accountants, has been engaged to audit the financial statements of Wright County for the 2 years ended December 31, 2011. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Wright County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Ted Fugitt, CPA
Audit Staff:	Michelle Crawford, M.Acct.
	Connie James
	Terese Summers, MSAS, CPA

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# Wright County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Prosecuting Attorney**

Prior audit reports have addressed weaknesses in the Prosecuting Attorney's office procedures and some of these weaknesses still exist. The Prosecuting Attorney's office collected approximately \$133,000 and \$138,000 in 2011 and 2010, respectively, in bad check restitution and fees, court ordered restitution, delinquent taxes, and child custody fees.

##### **1.1 Segregation of duties and reconciliation procedures**

Accounting duties are not adequately segregated. One employee is primarily responsible for receiving, recording, and depositing monies. The Prosecuting Attorney or another employee reviews each deposit slip for mathematical accuracy and initials each deposit slip; however, they do not compare the deposit amount to corresponding receipt slips. In addition, the employee who initials deposit slips is responsible for preparing bank reconciliations; however, bank reconciliations have not been performed during 2011 and 2010 (see section 1.3).

Proper segregation of duties and reconciliation procedures are necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, periodic independent or supervisory reviews of accounting records and reconciliations of receipts to deposits should be performed and documented by another employee or the Prosecuting Attorney.

##### **1.2 Receipting and depositing**

Receipts are not always recorded in the accounting system or deposited timely. Mail receipts are processed by one employee and are not processed timely if the employee takes leave, which occurred frequently during 2011 and 2010. Deposits during 2011 and 2010 occurred approximately one or two times per month and often exceeded \$5,000. A deposit on November 15, 2010, totaled \$9,817 and included receipts of \$6,263 from the first 2 days of the month. In addition, the receipts are stored in an unlocked desk drawer until deposited.

Timely recording, securing, and depositing of monies are necessary to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds.

##### **1.3 Bank reconciliations**

The Prosecuting Attorney's office did not prepare bank reconciliations during 2011 and 2010 or maintain check book or other accounting balances for its two bank accounts. Upon our request at February 29, 2012, office personnel prepared bank reconciliations and noted adjusted bank balances of \$37,954 and \$5,167 in the bad check and court-ordered restitution accounts, respectively. However, because book balances were not maintained, the accuracy of these reconciliations could not be readily verified.

Without maintaining cumulative book balances and preparing monthly bank reconciliations, there is less assurance receipts and disbursements have been



## Wright County Management Advisory Report - State Auditor's Findings

properly handled and recorded, and errors will be detected and corrected in a timely manner.

### 1.4 Liabilities

Liabilities have not been identified and reconciled with cash balances, and some restitution receipts have not been disbursed in a timely manner. Upon our request, the Prosecuting Attorney's office prepared lists of liabilities at February 29, 2012, which totaled \$18,736 and \$3,941 for the bad check and court-ordered restitution accounts, respectively. These liabilities included many payments received prior to 2007 when the current Prosecuting Attorney took office. Current personnel indicated corresponding case files cannot be located for most of the amounts received prior to 2007, making it very difficult to determine the proper disposition of these monies.

A comparison of identified liabilities to the reconciled bank balances at February 29, 2012, indicated unidentified amounts of \$19,218 and \$1,226 in the bad check and court-ordered restitution accounts, respectively. Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. In addition, timely follow up is necessary to ensure all restitution received is disbursed in a timely manner.

### 1.5 Accounts receivable

The Prosecuting Attorney's office could improve monitoring of court-ordered restitution due from defendants, including bad check cases filed in court. Accounts receivable lists were not maintained; however, upon our request, a list was prepared as of February 29, 2012, which totaled \$239,961 due from defendants for court-ordered bad check restitution and \$45,959 due from defendants for other court-ordered restitution. Office personnel indicated many receivables are from old cases filed prior to 2007 and the corresponding case files cannot be located, making it difficult to perform follow-up procedures to collect unpaid amounts. We noted \$12,639 due for one case which the Prosecuting Attorney's office indicated was beyond the statute of limitations and uncollectible.

Timely monitoring of accounts receivable is necessary to help ensure unpaid restitution is collected and distributed to the victims. In addition, proper monitoring is necessary to provide information to the Circuit Judge when amounts are deemed uncollectible and should be written off.

### 1.6 Bad check case disposition

The Prosecuting Attorney's office could improve procedures to monitor the disposition of bad check cases. The computerized bad check system is capable of tracking the receipt and disposition of each bad check complaint; however, the system is not fully utilized. According to office personnel, bad checks are entered into the computer system mainly to generate letters notifying the bad check writers they have 10 days to pay before charges are filed. In addition, the Prosecuting Attorney's office has not generated reports



## Wright County Management Advisory Report - State Auditor's Findings

available from the system to account for the numerical sequence of all cases and to ensure cases are appropriately collected or prosecuted, as applicable.

To help ensure all bad checks submitted to the Prosecuting Attorney are accounted for properly, periodic reports of complaints entered on the computer system should be generated and reviewed for completeness. This review should ensure the numerical sequence of each case is accounted for properly and the status or disposition of each case in the computer system is accurately recorded.

Similar conditions  
previously reported

Similar conditions to sections 1.1, 1.3, 1.4, and 1.6 were noted in our prior audit report.

## Recommendations

The Prosecuting Attorney:

- 1.1 Adequately segregate receiving, recording, and depositing duties to the extent possible or ensure independent or supervisory reviews of accounting records and reconciliations of receipts to deposits are performed and documented.
- 1.2 Record all monies immediately upon receipt, store monies in a secure location, and deposit monies in a timely manner.
- 1.3 Maintain check book or other accounting balances and prepare monthly bank reconciliations for the bad check and court-ordered restitution accounts.
- 1.4 Prepare monthly liability lists and reconcile the lists to the cash balances. An attempt should be made to investigate and disburse older restitution amounts held, and any remaining unidentified or unclaimed amounts should be disbursed in accordance with state law.
- 1.5 Improve monitoring of unpaid bad check and other court-ordered restitution and follow up on older cases to determine amounts which should be written off as uncollectible.
- 1.6 Ensure all bad check complaints are entered into the computerized accounting system and utilize the system to ensure the disposition of all bad check complaints is properly recorded.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 1.1 *This concern has already been corrected. Accounting procedures have been segregated as suggested.*



Wright County  
Management Advisory Report - State Auditor's Findings

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- 1.2 *Each of the employees in the Prosecuting Attorney's office have numerous job responsibilities such as meeting with the public, handling phone calls, preparing files for court and trial, etc., and sometimes it is necessary for those responsibilities to take priority over accounting procedures. However, we will process receipts and make deposits more frequently. A lock has been installed on the desk drawer where monies and checkbooks are stored. No actual loss, theft, or misuse of funds was identified during the audit.*
- 1.3 *This concern has already been corrected. Accounting procedures have been segregated as suggested and a new employee assigned to perform bank reconciliations as suggested.*
- 1.4 *As noted above, unidentified money existed in the bad check and restitution accounts prior to my tenure as prosecuting attorney. A review of previous audits would show that the unidentified money existed at the time of those audits and remains in the accounts in the same amounts. We will work to determine the appropriate disposition of the unidentified money that existed in the accounts prior to my tenure in accordance with state law.*
- 1.5 *The Prosecuting Attorney's office does an outstanding job of monitoring court-ordered restitution due from defendants, including bad check cases filed in court. The Prosecuting Attorney's office does not accept partial payments on restitution or bad check cases unless the defendant is placed on probation. When a defendant is placed on probation it is a special condition of the probation that the defendant make regular payments and periodic court reviews are scheduled on all such cases to assure that the payments are being made. The cases are not removed from the review docket unless and until all restitution has been paid. Furthermore, many defendants have a supervising probation officer whose job it is to make sure that the defendant is paying as ordered by the court. Under these practices, there is very little room for error and appropriate follow-up is made on each case. Unfortunately, it is not possible to go back and correct collection practices of previous prosecuting attorneys.*
- 1.6 *The Prosecuting Attorney's office has encountered difficulties with the bad check computer program. Our office has utilized that software to the extent that it has actually been helpful. At this point it is a matter of opinion as to whether making further use of the program actually helps to ensure accuracy beyond what is currently achieved. However, we will attempt to make greater use of the computer program to see if it actually improves our case monitoring and disposition. As mentioned above, once a case is*



## Wright County Management Advisory Report - State Auditor's Findings

*filed, it is regularly monitored on the court docket to ensure cases are appropriately collected and prosecuted. Creating "numerical sequences" in most cases would simply be duplicative and not be an efficient allocation of limited resources.*

## 2. Sheriff

While the Sheriff has made improvements since the prior audit, certain accounting controls and procedures are still in need of improvement. The Sheriff's office processed approximately \$270,000 and \$240,000 in civil fees, concealed weapon permits, bonds, and other receipts for the years ended December 31, 2011 and 2010, respectively.

### 2.1 Segregation of duties

Accounting duties are not adequately segregated. The bookkeeper is responsible for receipting, recording, and depositing monies received; performing bank reconciliations; and preparing checks. The Sheriff does not document his occasional review of bank reconciliations and there are no other independent reviews of the records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, periodic independent or supervisory reviews of accounting records should be performed and documented by another employee or the Sheriff.

### 2.2 Seized property

Procedures to account for seized property should be improved, and seized property records are not complete and accurate. The inventory list for seized property does not include some items and does not properly identify the property to a specific case. In addition, property tags affixed to the property are not pre-numbered and no physical inventories have been conducted of seized property.

Adequate seized property inventory records are necessary to ensure all property is accounted for properly and to deter and identify loss, misuse, or theft of such items.

### 2.3 Fuel procedures

The Sheriff's office does not reconcile fuel use to fuel purchased and as a result, some fuel purchased could not be accounted for properly. The county maintains two bulk fuel tanks for the Sheriff's vehicles and purchased approximately \$80,000 in fuel for these tanks during the 2 years ended December 31, 2011.

Fuel use logs are maintained which record the beginning and ending odometer readings, total miles driven, and gallons of fuel pumped for each vehicle. We compared fuel purchased to fuel use (as recorded on the fuel use logs) for three different time periods during the 2 years ended December 31, 2011, and for these three periods combined, total fuel purchased of 1,225 gallons exceeded fuel use by 392 gallons. In addition,





Wright County  
Management Advisory Report - State Auditor's Findings

the Sheriff's office compiled a spreadsheet of fuel use and fuel purchased for calendar year 2011 which noted total fuel purchased of 13,393 gallons exceeded fuel use by 3,421 gallons. The Sheriff indicated the fuel use was not always documented, in particular for the transport van.

Maintenance of accurate fuel use logs and comparison of log information and inventory records to fuel purchases are necessary to ensure vehicles are properly utilized, prevent paying fuel vendors for improper amounts, and decrease the risk of theft or misuse of fuel occurring without detection.

Similar conditions  
previously reported

Similar conditions were noted in our prior audit report

## Recommendations

The Sheriff:

- 2.1 Adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented.
- 2.2 Maintain complete and accurate inventory records of all seized property items and identify each item to a specific case. In addition, property tags should be pre-numbered, and physical inventories should be conducted annually.
- 2.3 Ensure complete and accurate fuel use logs are maintained for all law enforcement vehicles and review the logs for reasonableness. In addition, fuel use should be reconciled to fuel purchased on a monthly basis, and any significant discrepancies should be investigated.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 2.1 *I will start initialing and dating the accounting records which I review.*
- 2.2 *We have been working on this as time permits; however, turnover of personnel has hindered our efforts.*
- 2.3 *We are now putting more emphasis on tracking fuel use, and fuel logs are now complete and accurate. We are now reconciling fuel used to fuel purchased on a monthly basis.*

## 3. Closed Meetings

Closed meeting minutes were not always prepared and maintained in compliance with the Sunshine Law. County records indicate the County



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Management Advisory Report - State Auditor's Findings

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Commission held nine closed meetings during 2010 and 2011; however, no minutes were prepared for three of the closed meetings.

Without minutes of closed meetings, it cannot be determined that discussion was limited to the topics cited as the reason for closing the meetings. Further, Section 610.020.7, RSMo, requires minutes be kept for all closed meetings.

**Recommendation**

The County Commission ensure minutes are prepared and retained for all closed meetings.

**Auditee's Response**

*The County Commission provided the following written response:*

*We agree and will ensure minutes are prepared and retained for all closed meetings in the future.*

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# Wright County

## Organization and Statistical Information

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Wright County is a county-organized, third-class county. The county seat is Hartville.

Wright County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 49 full-time employees and 6 part-time employees on December 31, 2011.

In addition, county operations include a Senate Bill 40 Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Zach Williams, Presiding Commissioner	\$	28,400
Mike Sherman, Associate Commissioner		26,400
Tommy Gaddis, Associate Commissioner		26,400
Kathy Garrison, Recorder of Deeds		40,000
Nelda Masner, County Clerk		40,000
Jason W. MacPherson, Prosecuting Attorney		109,366
Glenn Adler, Sheriff		44,000
Naomi Gray, County Treasurer		40,000
Ben Hurtt, County Coroner		12,000
John T. Miller, Public Administrator		40,000
Cindy Cottengim, County Collector (1), year ended February 29,	42,539	
Brenda Day, County Assessor , year ended August 31,		40,000

(1) Includes \$2,539 of commissions earned for collecting city property taxes.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011:

A \$22,000 Energizing Missouri Communities grant from the U.S. Department of Energy passed through the Missouri Department of Natural



## Wright County Organization and Statistical Information

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Resources (DNR) in 2011 was used to purchase a computerized temperature control system for the courthouse. The total cost of the system was \$78,000 and the county received a 0 percent loan from the DNR for the additional cost. The project did not have a measurable effect on the local economy and did not create any sustainable jobs. The county will be financially responsible for repairs and maintenance of the system. County personnel indicated a review of the system determined the county has been saving approximately 30 percent in related utility costs.



# Thomas A. Schweich

Missouri State Auditor

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## Butler County



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June 2012

Report No. 2012-60

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Butler County

County Procedures	<p>County officials need to better document procurement process decisions. County officials did not maintain documentation of oral quotes, price comparisons, or sole source and emergency purchase decisions. The County Commission refinanced \$1.7 million in general obligation bonds through a negotiated instead of a competitive sale, and did not select the bond underwriter or bond counsel competitively. The county needs to improve its procedures to review invoices and document receipt of goods. Audit staff identified a \$3,226 credit for returned parts from October 2010 which the county had not collected. The County Commission pays the Sheriff a monthly mileage allowance of \$850, but the Sheriff did not maintain mileage logs in 2009 and 2010, so the payments should be reported as taxable compensation on the Sheriff's W-2 form. Bulk fuel tanks at the Road and Bridge Department are not metered, and logs are not maintained to document fuel pumped or vehicle mileage. The County Commission approves a transfer each year of \$100,000 from the 911 Fund to the Law Enforcement Complex Fund to reimburse for 911 expenses, but it does not document the related disbursements.</p>
Payroll Procedures and Personnel Policies	<p>Centralized records of leave balances are not maintained, and audit staff identified errors and inconsistencies in the leave records. Timesheets for Road and Bridge employees are not signed by the employee or the supervisor, and timesheets for Sheriff Department employees in supervisory positions are not signed as approved by the Sheriff.</p>
Property Tax System	<p>Prior audit reports have identified concerns in the County Collector's office, and controls and procedures over the property tax system still need improvement. Approximately \$34,000 more than allowed by law was withheld from tax collections and disbursed to the Assessment Fund because the County Collector did not adequately monitor the amounts withheld. Neither the Collector nor the County Clerk adequately reviewed the tax books to ensure their accuracy. The County Commission does not review changes to the amount of taxes the County Collector is charged with collecting, and the total of the Collector's 2010 current real estate tax book did not agree to amounts reported on the Collector's annual settlements. During the 2 years ended February 28, 2011, \$61,000 in personal property taxes were outlawed and removed from the tax book without the approval of the County Commission. The method of payment is not recorded on tax receipts, and the composition of tax receipts is not reconciled to the composition of deposits. Monies received for partial payments are held in cash in envelopes in the County Collector's vault until full payment is received. During a cash count, audit staff noted 60 envelopes containing \$13,266 on hand. Receipt slips are not issued for some partial payments, and the County Collector's spreadsheet used to track partial payments is not accurate and complete.</p>

Prosecuting Attorney Controls and Procedures	Accounting duties are not adequately segregated. The bad check clerk responsible for all bad check receipting, recording, depositing and disbursing also has the ability to post adjustments in the computer system without independent approval. Delinquent tax collections are not always transmitted to the Missouri Department of Revenue timely.
Sheriff Controls and Procedures	Inmate receipt slips do not indicate the method of payment and are not always issued in sequential order, and not all copies of voided receipt slips or bond receipt slips are retained.
Public Administrator Controls and Procedures	Annual settlements are not always filed in a timely manner. At December 31, 2010, 86 annual settlements were due to the Probate Court.
Board for the Care of the Handicapped	As noted in our prior audit report, the Board for the Care of the Handicapped does not adequately monitor payments to various not-for-profit agencies. Recipient agencies are contractually required to submit monthly financial reports or other documentation, but the Board does not enforce this requirement.
Capital Assets	County property procedures and records are not adequate. Asset records are not always requested or received by the County Clerk, and county procedures do not ensure their accuracy.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	Butler County was awarded a \$118,019 Homelessness Prevention and Rapid Re-housing Program grant, all of which was expended to provide homelessness prevention and rapid re-housing assistance.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Butler County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Butler County

We have audited certain operations of Butler County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, P.C., Certified Public Accountants, was engaged to audit the financial statements of Butler County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal control work, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Butler County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	Lori Bryant
	Richard Mosha, MBA
	Julie Vollmer, CPA, CIA

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# Butler County

## Management Advisory Report

### State Auditor's Findings

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#### **1. County Procedures**

Procedures relating to procurement and disbursement of county funds need improvement.

##### **1.1 Procurement procedures**

County officials need to better document procurement process decisions. Adequate documentation was not maintained to support oral quotes received or when performing price comparisons for used vehicles and equipment. For example, county officials indicated oral quotes were obtained before purchasing bulk fuel (\$102,635), prisoner food (\$260,382), and concrete (\$39,042); however, documentation of the quotes was not retained. County officials also indicated they knew what prices were reasonable and what they were willing to pay for eight used patrol cars (\$60,385) and a used bucket truck (\$17,200); however, there was no documentation of price comparisons or other information to support their conclusions.

Additionally, county officials indicated several purchases, such as gravel (\$78,000), were sole source purchases; however, the reason for a sole source process was not documented. Further, purchases of culverts (\$6,470) were stated to have been for emergency related purchases; however, the emergency was not documented. Procurement procedures for other purchases, such as equipment for Sheriff vehicles (\$19,693) and vehicle repairs (\$13,644) were also not documented.

Section 50.660, RSMo, provides bidding requirements. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made.

##### **1.2 Bond refinancing**

The County Commission refinanced general obligation bonds through a negotiated instead of competitive sale. The County Commission refinanced \$1.7 million in general obligation bonds in February 2010. In addition, the Commission did not select the bond underwriter or bond counsel competitively. According to the County Clerk, the Presiding Commissioner was approached by the underwriter who provided a presentation to some of the elected officials and the County Commission voted to refinance the bonds. The underwriter recommended the bond counsel since they had the original bond financing for the county. Underwriter fees, bond counsel, and other related costs of refinancing totaled \$52,750.

Historically, negotiated bond sales result in increased interest costs. While Missouri law does not require competitive bond sales, the historically lower interest costs on competitive sales suggest such sales to be in the best interest of the county.



## Butler County Management Advisory Report - State Auditor's Findings

### 1.3 Disbursement review

Procedures used to review invoices and document receipt of goods and services need improvement. During our review of disbursements, we identified a credit the county had not received totaling \$3,226 for returned equipment parts. A note indicating a credit was due for returned parts was included on an October 2010 invoice that was submitted to the County Commission for review and approval for payment. The invoice was paid, but the credit was not received on future invoices. In October 2011, over a year later, the county requested and obtained a credit for the \$3,226 overpayment after we brought the credit to the County Clerk's attention.

Additionally, documentation acknowledging receipt of goods for items such as office supplies and maintenance supplies, was not indicated on many of the invoices paid by the county.

A thorough and documented review of disbursements reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the county actually received the items or services.

### 1.4 Vehicle procedures

The mileage allowance paid to the Sheriff is not reported as taxable compensation. Procedures to track fuel and vehicle usage for the county road and bridge department need improvement.

- The County Commission pays the Sheriff a monthly mileage allowance of \$850 or \$10,200 annually. While the Sheriff maintained mileage logs in previous years, no logs were maintained for 2009 and 2010. Without documentation to support these payments, the payments represent taxable compensation that should be reported on the Sheriff's W-2 form.
- Bulk fuel tanks at the Road and Bridge Department are not metered. Logs documenting fuel pumped and vehicle mileage are not maintained for the vehicles and equipment. In addition, the road and bridge supervisor does not retain individual fuel delivery tickets, and only periodic billings are submitted to the County Clerk for payment when the vendor fills the bulk fuel tanks. Accounting records indicated fuel purchases for road and bridge activities total approximately \$222,000 annually.

If documentation is not maintained of employee reimbursed expenses, Internal Revenue Service (IRS) regulations require the payments to be considered gross income and payroll taxes be withheld and paid. Further, mileage and fuel usage logs are necessary to document the appropriate use of road and bridge vehicles and equipment and to support fuel charges. The logs should include sufficient information to allow reconciliations of fuel use to fuel purchases and determine reasonableness of miles driven.



Butler County  
Management Advisory Report - State Auditor's Findings

## 1.5 911 Fund transfer

Annually the County Commission approves a transfer of \$100,000 from the 911 Fund to the Law Enforcement Complex (LEC) Fund to reimburse for salaries related to 911 dispatching and other 911 related costs. However, the County Commission does not document which salaries were reimbursed, identify 911 related disbursements, or maintain other data to support the amount of the transfer.

Monies in the 911 Fund represent revenues which are restricted by statute to providing emergency dispatching services. Costs paid by the fund should be clearly related to the services allowed by law and documentation retained to demonstrate the disbursements comply with statutory restrictions.

## Recommendations

The County Commission:

- 1.1 Perform a competitive procurement process for all major purchases and maintain documentation of decisions made.
- 1.2 Pursue fair and open competition for future bond sales.
- 1.3 Ensure all invoices are adequately reviewed, credit for returned items is received, and all invoices are initialed or signed by an employee to indicate acceptance of goods or services.
- 1.4 Work with the Sheriff to obtain documentation to support the payments made to the Sheriff, or consider the payments taxable income and report the payments on the Sheriff's W-2 form. Further, the County Commission should ensure appropriately detailed fuel usage and mileage records are maintained and monitored for the road and bridge department.
- 1.5 Maintain adequate documentation to support the transfer of 911 Fund monies to the LEC Fund.

## Auditee's Response

*The County Commission provided the following written responses:*

- 1.1 *We are currently maintaining better documentation of the procurement process used for county purchases.*
- 1.2 *This bond will be paid off in approximately 2 years and there will be no further need for this type of financing. This opportunity came up quickly and we admit more time could have been taken; however, a significant amount of county money was saved by refinancing the bonds.*
- 1.3 *We will ensure disbursements are thoroughly reviewed and the receipt of goods or services is documented.*



Butler County  
Management Advisory Report - State Auditor's Findings

1.4 *We have obtained mileage documentation from the Sheriff for 2011 and 2012, and have located documentation for one month in 2010. We will discuss this situation with the Sheriff and work with him to obtain documentation for 2009 and 2010. We have already addressed and corrected fuel concerns in the Road and Bridge Department. We have added meters to all pumps, obtained a metered mobile gas tank, and implemented mileage and fuel logs. We will ensure that all fuel tickets are attached to fuel invoices.*

1.5 *We plan to better document the transfer of 911 Fund monies in future budgets.*

*The Sheriff provided the following written response:*

1.4 *Documentation for 2009 and 2010 mileage has been located and copies will be provided to the County Clerk and County Commission.*

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## 2. Payroll Procedures and Personnel Policies

Improvement is needed over payroll procedures.

### 2.1 Leave records

Centralized records of leave balances are not maintained and reviewed by the County Commission, and some leave records contained errors and inconsistencies.

#### Centralized leave records

Centralized records of leave balances are not maintained. Each official or department head is responsible for recording and accumulating employee leave balances, and most leave records are not submitted to the County Clerk's office until the end of the year. Other leave records are not submitted to the County Clerk's office at all. For instance, leave records maintained for road and bridge department employees are kept by the Highway Department Supervisor and not submitted to the County Clerk or reviewed by the County Commission.

#### Leave balances

Our review of leave records maintained by the various county offices identified errors and inconsistencies.

- The sick leave balance reported for one county employee on July 1, 2009, totaled 2,000 hours even though county policy states a maximum of 1,000 sick leave hours may be accumulated. On July 1, 2009, the County Commission signed an agreement with the employee stating the employee would be allowed to use the 2,000 hours by taking 1 day off (Friday) each week from the period of July 6, 2009, to April 18, 2014. Our review of this employee's leave records maintained by the Highway Department Supervisor showed a balance of 96 hours of sick leave on



## Butler County Management Advisory Report - State Auditor's Findings

January 1, 2010; 1,000 hours on January 1, 2011; and 288 hours on January 1, 2012. When the Highway Department Supervisor was asked about the significant differences in the sick leave balances, he indicated he did not have a good understanding of the agreement between the county and the employee, but the balance for January 1, 2012, was accurate. Additionally, time records for this employee reflect 8 hours of work time on the Fridays he was not at work and utilizing 8 hours of sick leave as specified in the agreement.

- Vacation leave records were not accurately maintained by the Highway Department Supervisor for employees he supervises. We noted the 2010 vacation leave beginning balance for an employee was 240 hours (maximum allowed) and the running balance of vacation leave taken was 232 hours; however, the ending balance was zero, a difference of 8 hours. Based upon amounts recorded as used on the employee's 2010 data calendar (timesheet), only 224 hours of vacation leave was recorded, another difference of 8 hours. Other discrepancies were noted on other employee leave and payroll records for the road and bridge department.

The activity reflected on employee payroll records should be carefully reviewed for consistency and mathematical accuracy to ensure that employee leave balances are correct. In addition, the Fair Labor Standards Act of 1938 (FLSA) requires accurate records of actual time worked by employees be maintained. To ensure leave records are properly maintained, county leave policies are followed, and potential leave and/or compensatory time liabilities are monitored, leave records should be submitted to the County Clerk's office each month.

## 2.2 Timesheets

Timesheets for Road and Bridge employees are prepared by the supervisor but not signed by either the employee or the supervisor. Additionally, timesheets for Sheriff Department employees in supervisory positions are not signed as approved by the Sheriff.

Timesheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor to provide evidence of actual time worked.

## Recommendations

The County Commission:

- 2.1 Require leave records be filed with the County Clerk's office monthly and reviewed for accuracy and compliance with county policies. Additionally, the County Commission should ensure employee leave records are accurately maintained and timesheets accurately reflect leave taken and hours worked.



Butler County  
Management Advisory Report - State Auditor's Findings

- 2.2 And the Sheriff ensure timesheets are signed by the employee and approved by the applicable supervisor.

## Auditee's Response

*The County Commission provided the following written responses:*

- 2.1 *We will request all county officials to submit accumulated leave records to the County Clerk's office at least annually during budget time. We will also take steps to ensure timesheets and leave balances are accurately maintained.*

- 2.2 *Timesheets will be signed by all employees and their supervisors.*

*The Sheriff provided the following written response:*

- 2.2 *I will sign Lt. Evans time sheet. Lt. Evans and Supervisors are responsible for signing all others.*

## 3. Property Tax System

Controls and procedures over the property tax systems need improvement. Prior audit reports have addressed concerns in the County Collector's office. The County Collector's office processed property taxes totaling approximately \$41 million during the 2 years ended February 28, 2011.

### 3.1 Assessment withholdings

The County Collector did not adequately monitor amounts withheld from tax collections for the Assessment Fund, and as a result, approximately \$34,000 more was withheld from tax collections and disbursed to the Assessment Fund than allowed by state law during the 2 years ended February 28, 2011.

Section 137.720, RSMo, provides a percentage be deducted from property tax collections and deposited into the Assessment Fund. Prior to July 1, 2009, this percentage was 1.45, and, after July 1, 2009, the percentage increased to 1.7; however, Section 137.720.3 limits the amount of 1/2 of 1 percent of the deduction to \$75,000. We reviewed the assessment withholding for calendar years 2010 and 2009 and noted amounts withheld representing the .50 withholding limited by statute were \$102,577 and \$81,740, respectively. These amounts exceeded the limit by \$27,577 and \$6,740, for the 2010 and 2009 years.

Adequate monitoring of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions. Further, the County Collector should calculate the refund amount owed to each taxing district and issue refund checks to correct the excess withholding.

### 3.2 Property tax records

Adequate reviews of the tax books were not performed by the Collector or the County Clerk to ensure the tax books were accurately prepared. The Collector also does not review totals in the tax books for accuracy.





## Butler County Management Advisory Report - State Auditor's Findings

The total of the 2010 current real estate tax book did not agree to amounts reported on the Collector's annual settlement. It was determined that city taxes of approximately \$1.1 million were included in the tax book total twice. Individual tax amounts and tax statements only included the city taxes one time; however, the computer program incorrectly included city taxes twice when computing the tax book total.

The Collector indicated she relied on other reports generated from the computer system for the totals on her annual settlement. While the County Clerk certifies the tax books as being accurate, she only reviewed individual tax amounts for accuracy and compared tax totals on reports generated by the County Collector (not the actual tax books) to totals included in her account book. Incomplete and/or inaccurate tax records reduces the effectiveness of the tax books as a tool to track all taxes the County Collector is charged with collecting.

### 3.3 Outlawed taxes

The County Commission does not review personal property taxes outlawed each year by the County Collector. Personal property taxes totaling approximately \$61,000 were outlawed and removed from the tax book during the 2 years ended February 28, 2011, without the approval of the County Commission. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored. Section 137.260, RSMo. requires the tax books only be changed by the County Clerk under the order of the County Commission.

### 3.4 Receipting and depositing

Procedures related to receipting and depositing need improvement.

- The method of payment is not indicated on the tax receipts, and the composition of tax receipts is not reconciled to the composition of deposits. The computer reports show the method of all tax payments as check. According to the Collector, check is the default on the computer screen when the payment is entered and the default method is not changed.
- Monies received for partial payments are not deposited, but held as cash in envelopes in the County Collector's vault until full payment is received. Additionally, if a partial payment is received by check, the check is deposited and cash from other collections is withheld from the daily deposit and placed in the vault. During a cash count on August 9, 2011, we noted 60 envelopes containing \$13,266 on hand.
- Daily cash receipts are used to cash personal check for county employees.

To adequately account for collections and reduce the risk of loss or misuse of funds, the method of payment should be recorded and reconciled to



Butler County  
Management Advisory Report - State Auditor's Findings

deposits, all monies should be deposited intact, and the practice of cashing personal checks should be discontinued.

### 3.5 Partial payments

Records accounting for partial payments need improvement.

- Receipt slips are not issued for some partial payments received. We noted 44 of 78 partial payments counted on August 9, 2011, did not trace to a receipt slip. The Collector maintains an unofficial manual receipt book to record partial payments. Our review of the book identified receipt slips not issued in sequential order, and some copies of the receipt slips were missing.
- The County Collector's spreadsheet used to track partial payments on hand is not accurate and complete. At the time of our cash count, three payments totaling \$245 were not on the spreadsheet, and a payment totaling \$176 was documented on the spreadsheet on two different dates.

To ensure all monies received for partial payments are accounted for properly, official receipt slips should be issued for all payments received, and amounts posted to the partial payment spreadsheet should be reconciled to total partial payments on hand.

## Recommendations

- 3.1 The County Collector monitor the amounts retained for the Assessment Fund and refund approximately \$34,000 to the taxing districts.
- 3.2 The County Collector and the County Clerk ensure property tax books are accurately prepared and agree with amounts reported on the Collector's annual settlements.
- 3.3 The County Commission review property taxes outlawed each year.
- 3.4 The County Collector ensure the method of payment is indicated on all receipt slips, reconcile the composition of receipts to the composition of deposits, deposit all receipts intact, and discontinue the practice of cashing personal checks.
- 3.5 The County Collector ensure official prenumbered receipt slips are issued for all partial payments and the partial payments spreadsheet is reconciled to the amount of partial payments on hand.

## Auditee's Response

*The County Collector provided the following written responses:*

- 3.1 *The \$34,000 has been refunded to the taxing districts. Our new system has the appropriate withholding limits in the program.*



Butler County  
Management Advisory Report - State Auditor's Findings

- 3.2 *This has been corrected. The 2011 tax book has accurate totals.*
- 3.3 *This has been corrected. A court order has been obtained for taxes outlawed in 2012.*
- 3.4 *This has been corrected. The new system indicates the method of payment in the system. We have discontinued cashing personal checks.*
- 3.5 *Receipt slips are issued for all monies. We are considering opening a separate bank account for partial payments. The spreadsheet is being kept up to date.*

*The County Commission and County Clerk provided the following written responses:*

- 3.2 *The County Clerk will ensure property tax books are accurate.*
- 3.3 *We will begin approving taxes outlawed in the same manner that we approve tax book additions and abatements.*

## **4. Prosecuting Attorney Controls and Procedures**

Some weaknesses exist in accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collected approximately \$445,000 and \$609,000 in 2010 and 2009, respectively.

### **4.1 Segregation of duties**

The bad check clerk who is responsible for all bad check receipting, recording, depositing, and disbursing functions has the ability to post adjustments to defendant accounts in the computer system without documented independent approval. While the administrative assistant indicated she reviews a list of adjustments manually prepared by the bad check clerk, this review is not documented or compared to the entries posted in the computer system.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly, adjustments are valid, and assets are adequately safeguarded. If adequate segregation cannot be achieved, at a minimum, periodic supervisory reviews of accounting records, which would include a documented review of adjustments made to the computer system, should be performed and documented by the Prosecuting Attorney or his designee.

### **4.2 Depositing**

Delinquent tax collections are not always transmitted to the Missouri Department of Revenue (DOR) timely. We noted two checks totaling \$1,000 receipted on July 15 and 27, 2011, were not transmitted to the DOR until September 1, 2011. According to the administrative assistant, these



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Butler County  
Management Advisory Report - State Auditor's Findings

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monies are usually transmitted to the DOR monthly; however, receipts were only transmitted 7 months during 2010.

To ensure all receipts are accounted for properly, transmittals should be made on a timely basis.

## Recommendations

The Prosecuting Attorney:

- 4.1 Adequately segregate the duties of receiving, depositing, and recording bad check monies from the duty of posting adjustments to the computer system, or ensure a supervisory review of the accounting records, including adjustments, is performed and documented.
- 4.2 Ensure all transmittals to the DOR are made timely.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 4.1 *I feel that duties are segregated to the extent possible; however, I plan to check to see if an adjustment report can be generated from our computer system.*
- 4.2 *We will begin transmitting delinquent tax payments more timely.*

---

## 5. Sheriff Controls and Procedures

The method of payment is not indicated on inmate receipt slips issued by jail personnel, receipt slips issued for inmate monies are not always issued in sequential order, and some copies of voided receipt slips are not retained. In addition, the office copy of receipt slips issued for bond monies is not always retained. We noted some instances where all three copies were missing from the book and a sticker had been placed on the back of the preceding page by clerical personnel with the bond information on it. The Sheriff's office collected approximately \$480,000 and \$420,000 in 2010 and 2009, respectively.

To ensure all receipts are accounted for properly, the method of payment should be recorded on all receipt slips and reconciled to deposits, receipt slips should be issued in sequential order, and the office copy of issued receipt slips and all copies of voided receipt slips should be retained.

## Recommendation

The Sheriff ensure the method of payment is documented on all receipt slips and reconciled to deposits, require receipt slips be issued in numerical order, and ensure the office copy of issued receipt slips and all copies of voided receipt slips are retained.



Butler County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Sheriff provided the following written response:*

*Receipting procedures will be implemented in compliance with the Auditor's recommendation.*

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## 6. Public Administrator Controls and Procedures

Annual settlements are not always filed in a timely manner. At December 31, 2010, 86 annual settlements were due to the Probate Court with some due dates dating back to March 2010. According to the Probate Court, annual settlements have been filed as much as 2 years late; however, steps have been taken recently to attempt to file annual settlements more timely. The Public Administrator is the court appointed personal representative for wards of the Probate Division, and was responsible for the financial activity of 272 individuals for the year ended December 31, 2010.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

## Recommendation

The Public Administrator should ensure annual settlements are filed timely.

## Auditee's Response

*The Public Administrator provided the following written response:*

*Annual settlement filing is now up to date. As of May 16, 2012, only one annual settlement is due.*

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## 7. Board for the Care of the Handicapped

The Board for the Care of the Handicapped does not adequately monitor payments to various not-for-profit (NFP) agencies. The Board received property taxes and other miscellaneous receipts totaling approximately \$962,000 for the 2 years ended December 31, 2010 to provide sheltered workshop, residential, and transportation services to handicapped Butler County citizens. The County Treasurer serves as custodian for the Care of the Handicapped Fund.

While contracts with the NFP agencies require them to submit information regarding projects, goals undertaken, and monthly financial reports or other documentation that would enable the Board to monitor the use of monies, no reports or other documentation have been submitted according to the Board Treasurer. The Board meets twice a year to approve funding for the various agencies, and relies on the County Commission to approve periodic payments to the NFP agencies based upon schedules established by the annual budget or periodic requests.

Additionally, the NFP agencies do not provide the Board documentation of their beginning or projected ending cash balance amounts on annual funding



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Butler County  
Management Advisory Report - State Auditor's Findings

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requests. These requests only include anticipated revenues and disbursements.

Further, the Board funding provides a subsidy to each agency rather than paying for specific services, and the annual funding agreements do not establish minimum levels of service necessary to earn the monies budgeted.

Without requiring NFP agencies to submit information regarding projects, goals undertaken, and monthly financial reports as required by contract, the Board cannot adequately monitor how funds are spent and ensure the funds are used appropriately.

A similar condition was noted in our prior audit report.

## Recommendation

The Board for the Care of the Handicapped obtain documentation from NFP agencies as required by the contracts, and ensure funding requests include beginning and projected ending cash balance amounts of the NFP.

## Auditee's Response

*The Board for the Care of the Handicapped provided the following written response:*

*The Butler County Board for the Care of the Handicapped will discuss and address the recommendations made by the State Auditor regarding the issues in the Butler County Management Advisory report. The State Auditor's findings will be addressed at a future board meeting when a quorum can meet to adequately discuss the findings and recommendations.*

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## 8. Capital Assets

Procedures and records to account for county property are not adequate. The County Commission does not have adequate procedures in place to ensure capital asset records are requested and received from all county offices. Asset records were not requested or received in 2010, and not all offices returned the records to the County Clerk's office in 2009. County owned property is valued at approximately \$1.9 million on the county insurance policy.

In addition, procedures have not been established to ensure the accuracy of asset records. Asset records provided to the County Clerk do not always include necessary information such as serial numbers, purchase dates, and acquisition costs. During our review of vehicle and equipment purchases, we noted three sheriff vehicles and a bucket truck for the road and bridge department were not recorded on an asset record.

Also, each county official is responsible for authorizing dispositions instead of the County Commission, and some offices do not include the date and means of dispositions on asset records.



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Butler County  
Management Advisory Report - State Auditor's Findings

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Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to inventory reports from various county offices and departments would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

## Recommendation

The County Commission and County Clerk work with other county officials to ensure complete and accurate capital asset records are maintained, capital asset purchases and dispositions are tracked throughout the year, and asset dispositions are properly approved and documented.

## Auditee's Response

*The County Commission provided the following written response:*

*We have established a spreadsheet to track county assets and it will be provided to all elected officials in October of each year.*

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# Butler County

## Organization and Statistical Information

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Butler County is a county-organized, third-class county. The county seat is Poplar Bluff.

Butler County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 127 full-time employees and 11 part-time employees on December 31, 2010.

In addition, county operations include the Board for the Care of the Handicapped and the Senior Citizens' Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
Ed Strenfel, Presiding Commissioner	\$	39,381
Don Anderson, Associate Commissioner		37,321
Jeff Darnell, Associate Commissioner		37,321
Debby Lundstrom, Recorder of Deeds		56,687
Tonyi Deffendall, County Clerk		56,687
Kevin Barbour, Prosecuting Attorney		109,366
Mark Dobbs, Sheriff		61,104
Joe Humphrey, County Treasurer		56,687
Jim Akers, County Coroner		37,321
Sharron Payne, Public Administrator		56,687
Brenda Fox, County Collector (1), year ended February 28 (29),	79,954	
Marion Tibbs, County Assessor, year ended August 31,		56,687

- (1) Includes \$23,005 of commissions earned for collecting drainage district and city property taxes.





Butler County  
Organization and Statistical Information

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Financing  
Arrangements

On December 1, 1998, Butler County issued Leasehold Revenue Bonds for the Butler County Jail project. These bond were refinanced for \$1,700,000 in February 2010. The average annual interest rate is 3.212 percent and the bonds are payable in annual installments ranging from \$400,000 to \$440,000 and mature on December 31, 2013. The balance at December 31, 2010, was \$1,265,000.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

According to county personnel, the county received the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A Homelessness Prevention and Rapid Re-housing Program grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services and \$118,019 was passed through to Butler County. This grant provided homelessness prevention assistance to households that would have otherwise become homeless and rapid re-housing assistance to persons who were homeless. The full amount of the grant was received and passed through to a not-for-profit entity during the year ended December 31, 2010.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Dunklin County



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June 2012

Report No. 2012-59

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<http://auditor.mo.gov>

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# Dunklin County

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Dunklin County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-91, *Dunklin County*, issued in October 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the County about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation submitted by county officials. Documentation provided included bank reconciliations, monthly deposit listings, daily abstracts of collections and deposits, and monthly settlements. We discussed the status of significant findings with county officials and any corrective action taken regarding those findings. This report is a summary of the results of this follow-up work, which was substantially completed during April 2012.

Thomas A. Schweich  
State Auditor

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# Dunklin County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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4. Property Tax and Collector-Treasurer Controls and Procedures	The County Collector-Treasurer's accounting and reporting procedures were not sufficient and did not provide adequate assurance that all property tax receipts and disbursements were accounted for properly. In addition, the County Clerk did not maintain an adequate account book or other records summarizing all property tax transactions each month.
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4.1 Annual settlements	As of the completion of our fieldwork on May 5, 2011, the County Collector-Treasurer had not prepared annual settlements of property taxes since taking office in April 2009. The County Clerk later indicated the annual settlements for 2008, 2009, 2010, and 2011 were completed on May 31, 2011. We obtained copies of the 2011 and 2010 settlements and noted significant differences.
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Recommendation	The County Collector-Treasurer prepare and file annual settlements as required by state law.
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Status	<b>Implemented</b>  The year ended February 29, 2012, annual settlement was completed and filed with the County Commission in April 2012. The County Collector-Treasurer and County Clerk have implemented procedures to be performed monthly to ensure annual settlements will be prepared and filed timely in future years (see sections 4.2 and 4.3).
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4.2 Liabilities	The Collector-Treasurer's office did not prepare a list of liabilities at the end of the month and reconcile the list to the cash balance. As a result, the County Collector-Treasurer's office was unable to agree reconciled cash balances to related liabilities. Based on a review of the County Collector-Treasurer's records, we identified liabilities totaling \$906,507 at February 28, 2011. The reconciled bank balance of \$952,895 exceeded identified liabilities by \$46,388. Our prior audit of the County Collector-Treasurer noted the reconciled bank balance exceeded identified liabilities by \$36,592 at February 28, 2007. The County Collector-Treasurer could not determine the reasons for the fluctuation between identified liabilities and the reconciled bank balances.
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Recommendation	The County Collector-Treasurer prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balance, and investigate any unreconciled differences. After sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.
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Status	<b>Implemented</b>  In March 2012, the County Collector-Treasurer determined unidentified monies in her bank account totaled \$46,587, much of which was in the account when the Collector-Treasurer took office in 2009. She could not
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Dunklin County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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determine to which taxing entities these monies were due. A court order was issued from the County Commission for the Collector-Treasurer to disburse these monies to the various taxing entities in the county at the same rate interest is currently disbursed to these taxing entities. These disbursements were made on March 31, 2012.

In addition, the County Collector-Treasurer now has various mid-month and month-end procedures to ensure all monies in the bank account are identified. The bank account is reconciled bi-monthly and compared to the bi-monthly abstracts of collections by taxing entity and daily abstracts of collections and deposits. Any differences are immediately investigated. In addition, monthly settlements are prepared documenting collections by taxing entity to be disbursed at month-end. These monthly settlements are provided to the County Clerk and County Commission for review.

#### 4.3 Account book

The County Clerk did not maintain an adequate account book or other records summarizing all property tax transactions each month. The County Clerk maintained spreadsheets which included beginning tax book totals, monthly collections, and monthly totals for additions and abatements, but did not include protested taxes or delinquent balances. In addition, the County Clerk and County Commission did not perform procedures to verify the accuracy of the County Collector-Treasurer's monthly settlements.

#### Recommendation

The County Clerk maintain an account book of all property tax transactions with the County Collector-Treasurer. Additionally, the County Commission and County Clerk should perform a thorough review of the County Collector-Treasurer's monthly and annual settlements.

#### Status

##### **Implemented**

The County Clerk keeps a detailed account book of County Collector-Treasurer operations on a monthly basis and now includes protested and delinquent taxes in the account book. The County Clerk obtains addition and abatement information from the property tax system monthly and uses this information to keep updated current and back tax book totals in her account book on a monthly basis. She also obtains monthly settlements from the County Collector-Treasurer. The monthly reports are totaled at year-end and compared to the County Collector-Treasurer's annual settlements to ensure accuracy. In addition, the Commission is reviewing monthly and annual settlements received from the County Collector-Treasurer.



# Thomas A. Schweich

Missouri State Auditor

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## Putnam County



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June 2012

Report No. 2012-58

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of Putnam County

Hospital	<p>The Putnam County Memorial Hospital is in poor financial condition. The hospital incurred operating losses in the 2 years ended June 30, 2011, was not able to meet bond covenants, missed a bond payment, and did not make timely payment for a tax anticipation note. In March 2012, Practice Management Plus took over the management of the hospital. The hospital does not adequately account for capital improvement sales tax monies, and there is no assurance the monies are being used for capital improvements as required by state law. Several instances were identified in which unallowable topics were discussed in closed meetings in violation of the Sunshine Law.</p>
Prosecuting Attorney Procedures	<p>In the Prosecuting Attorney's office, accounting duties are not adequately segregated and the Prosecuting Attorney does not provide adequate oversight of financial functions and records. Receipts are not always deposited timely, money orders are not restrictively endorsed immediately upon receipt, the numerical sequence of receipt slips is not accounted for properly, and receipts are not reconciled to deposits. The former Prosecuting Attorney did not turn some monies over to the current Prosecuting Attorney until almost a year after leaving office. Some monies have not been disbursed to the County Collector-Treasurer or to victims. One Prosecuting Attorney employee uses a facsimile signature stamp on checks without any subsequent review. Defendants are not required to sign a payment agreement for bad check restitution, the Prosecuting Attorney does not submit a record of fees collected to the County Commission as required, and the Prosecuting Attorney does not adequately secure county records and property as the former Prosecuting Attorney still has possession of some county records.</p>
County Disbursements	<p>The County Clerk's office does not maintain centralized compensatory records, and compensatory time is not earned in accordance with county personnel policies. The County Clerk and Sheriff track compensatory time at a rate of 1 hour earned to 1 hour worked, but county policy says compensatory time is earned at a rate of 1.5 hours earned per extra hour worked, and Sheriff's deputies do not earn compensatory time after 40 hours are worked as stated in the county personnel policies and procedures manual. Employees are required to estimate the hours they will work during the last two days of the pay period, but there is no documentation that actual hours worked are subsequently compared to those estimated. The County Clerk does not maintain a list of county credit cards and credit limits, and card assignment and usage is not periodically reviewed. Supporting documentation for credit card charges is not always submitted, supervisors do not review invoices before payment, and the county has incurred finance charges because credit card bills are not provided timely to the County</p>



Clerk. The county does not have a written agreement with the Prosecuting Attorney or the 911 Board regarding expenses paid by the county.

County Procedures	Cash amounts presented in county budgets were understated, and, as noted in our prior audit report, the county lacks adequate procedures and records to account for county property. The county does not record mileage when fueling vehicles and fuel use is not reviewed or reconciled to fuel purchases.
Property Tax and County Collector-Treasurer Procedures	As noted in our prior audit report, neither the County Commission nor the County Clerk reviews the activities of the County Collector-Treasurer, and, therefore, cannot ensure the accuracy and completeness of the Collector-Treasurer's monthly and annual settlements. The county retained \$23,600 more in commissions than allowed for the year ended February 29, 2012, and it is unclear whether an incorrect commission rate was also used for fiscal year 2011 because state law is unclear whether railroad and utility taxes should be considered when determining the applicable commission rate.
Sheriff Procedures	The Sheriff's office does not adequately segregate accounting duties, and the Sheriff does not adequately oversee financial functions and records. Receipt slips were not issued for conceal and carry weapons monies, inmate collect call monies, and other miscellaneous monies received. Civil service fees are not recorded immediately and are not deposited timely or intact, and checks are not restrictively endorsed immediately upon receipt.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	Putnam County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Putnam County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Putnam County

We have audited certain operations of Putnam County in fulfillment of our duties under Section 29.230, RSMo. In addition, Kevin G. Hudson, Certified Public Accountant, was engaged to audit the financial statements of Putnam County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Putnam County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Amanda Locke, M.Acct.
Audit Staff:	Kenneth Erfurth
	Karla Swift, MBA

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# Putnam County Management Advisory Report State Auditor's Findings

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## **1. Hospital**

The Putnam County Memorial Hospital is in poor financial condition. There is no assurance capital improvement sales tax monies are being used for capital improvements, and the hospital was not in compliance with the Sunshine Law. BKD, LLP, CPAs & Advisors, was engaged to audit the financial statements of the hospital for the year ended June 30, 2011.

### **1.1 Financial condition**

The hospital is in poor financial condition. The independent audit report for the year ended June 30, 2011, identified a going concern issue with the hospital (conditions and events giving rise to substantial doubt about the entity's ability to continue). The independent audit report indicates the hospital's cash and cash equivalents totaled \$79,695 per the balance sheet as of June 30, 2011, with total operating expenditures of \$7,418,522 for the year ended June 30, 2011. According to the report, the hospital has incurred operating losses in the 2 years ended June 30, 2011. In addition, the hospital was not able to meet the bond covenants, and failed to make a \$671,078 bond payment in August 2011. Also, due to its poor financial condition, the hospital signed two tax anticipation notes totaling \$300,664 in 2011. Approximately \$22,500 of a \$250,000 tax anticipation note was not paid timely. In March 2012, the hospital contracted with Practice Management Plus to take over the management of the hospital.

The financial condition of the hospital, both in the immediate- and long-term future, needs to be addressed. To improve its financial condition, spending should be reduced as much as possible, controls evaluated, and management practices reviewed to ensure efficient use of hospital resources. In addition, the hospital should attempt to maximize all sources of revenues.

### **1.2 Capital improvement sales tax**

The hospital has not ensured capital improvement sales tax monies are deposited in a separate fund or used for the intended purpose, as required by state law. In April 2010, county voters passed a 1/2-cent sales tax for the purpose of hospital capital improvements to replace a 1/2-cent sales tax that was expiring. This sales tax is set to expire on March 31, 2016. The county collected approximately \$191,000 and \$174,000 for the years ending December 31, 2011 and 2010, respectively.

A hospital official indicated these monies are placed into general revenue and tracking is not performed to identify how these monies are used. The County Commission provided documentation received from the hospital to support how these funds were spent for the year ending June 30, 2010; however, a hospital official confirmed no documentation has been maintained since this timeframe to ensure monies are spent appropriately. As a result, the hospital is unable to substantiate the capital improvement sales tax monies were used for the intended purpose.



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Section 67.700, RSMo, allows counties to impose a sales tax for any capital improvement purpose designated by the county in its ballot, and requires the monies received from the sales tax be deposited in a separate fund and used solely for the designated capital improvement purpose.

### 1.3 Sunshine Law

Several instances were identified where the closed meeting minutes disclosed issues discussed that were not allowable under the Sunshine Law or issues discussed were not related to the statutory section cited. For example, the minutes stated a closed session occurred because of Section 610.021.3, RSMo, which relates to hiring and firing personnel; however, the Board discussed other matters not allowed under this statute, such as new management for the hospital, a patient complaint, and an employee complaint.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. In addition, any meeting or vote closed shall be closed only to the extent necessary for the specific reason announced to justify the closed meeting or vote. Issues not specifically allowed by the Sunshine Law should not be discussed in closed sessions.

## Recommendations

The Putnam County Memorial Hospital Board of Directors:

- 1.1 Closely monitor the financial condition of the hospital and take necessary steps to improve the financial condition. The Board should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.
- 1.2 Ensure monies received from the capital improvement sales tax are deposited in a special fund and used solely for the designated purpose.
- 1.3 Ensure the minutes document the appropriate reason for going into closed meetings and ensure only allowable topics are discussed.

## Auditee's Response

*The Hospital Board of Directors provided the following written responses:*

- 1.1 *The last three months have resulted in a dramatic improvement in the operation of the hospital. A list some of the improvements are as follows:*
  1. *Increased cash in bank from less than \$50,000 to \$580,000 at the end of April 2012*
  2. *Reduced accounts payable from \$1,300,000 to \$750,000 at the end of April 2012*



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3. *Two new primary care physicians since 3/1/2012*
4. *The following specialties have committed to increasing services:*
  - a. *Rheumatology*
  - b. *Surgery--General*
  - c. *Podiatry*
5. *The following specialties have agreed to provide services to the hospital in the future:*
  - a. *Allergy*
  - b. *Orthopedics*
  - c. *Pulmonology*
  - d. *Pain Specialist*
  - e. *Dermatology*
  - f. *Anesthesiology*
  - g. *Obstetrics & Gynecology*
  - h. *Psychiatry (In-Patient & Out—Patient)*
  - i. *Otorhinolaryngology (Ear, Nose, Throat)*
  - j. *Nurse Practitioner*
6. *Physical Therapy Department reopened April 2012*
7. *Opening Outpatient Psychiatric program with projected profit of \$336,338 the first year*
8. *Opening 10 bed in-patient geriatric psychiatric program January 2013 with projected profit of \$2,300,000 the first year*
9. *Made interest and principal bond payment of \$71,000 in May 2012*
10. *Produced \$155,000 profit hospital from March 1, 2012 to April 31, 2012*



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*11. CT Scan upgrades (4 slice to 16 slice)*

*12. Plans to reopen Surgery Department in 2012*

*13. Department Heads involvement in 2012-2013 Budget preparation*

*14. Cost for On-Call coverage reduced from \$80,000 to \$18,000 per month*

*15. Enrolled in the 340B Pharmacy Program reducing the cost of certain drugs (example: \$147.00 a vial to \$34.00 a vial).*

*1.2 All future sales tax funds will be deposited in a special fund to pay for the capital improvements for the psychiatric programs.*

*1.3 Closed session board minutes will be monitored to ensure meeting Sunshine Law requirements.*

## **2. Prosecuting Attorney Procedures**

Procedures related to supervisory review, receipts and deposits, disbursements, payment agreements, monthly reports, and county records are in need of improvement. Prosecuting Attorney receipts totaled approximately \$33,300 in 2011 and \$31,100 in 2010.

### **2.1 Supervisory review**

Accounting duties are not adequately segregated and the Prosecuting Attorney does not provide adequate oversight of financial functions and records. One individual is responsible for the duties of receipting, recording, depositing, preparing and signing checks, and preparing bank reconciliations, and can modify the payee names on the checks before the checks are printed and disbursed. Documentation is not maintained of the Prosecuting Attorney's periodic reviews of the bank reconciliations. In addition, a more detailed review would help ensure all monies received are properly deposited, recorded in the accounting system, and disbursed to the appropriate party.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected. In addition, procedures should be implemented to ensure payee names per the check register agree to payee names per actual checks disbursed.

### **2.2 Receipts and deposits**

Receipting and depositing procedures are in need of improvement.

- Receipts are not always deposited timely, and money orders are not restrictively endorsed immediately upon receipt. For example,





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restitution monies received on October 31, 2011, were not deposited until December 1, 2011.

- The numerical sequence of computer-generated receipt slips is not accounted for properly. In addition, the date of the receipt is sometimes manually changed in the computer system, making it difficult to ensure all receipt slip numbers are accounted for adequately. The numerical sequence of receipt slips was reviewed for December 2011, and two receipt slips were identified as not in sequence. Based on the audit trail from the computer system, these receipts were manually entered into the computer system in December 2011, but the receipt was dated back to March 2011, when the monies were originally received. This issue has been allowed to occur because the system functionality allows a user to modify the date received.
- Receipts are not reconciled to deposits. Receipt slips are prepared when monies are received. However, upon preparing the deposit, reconciliations are not performed between receipt slips and deposits.

The weaknesses in procedures noted above provide less assurance that receipts are adequately safeguarded and properly recorded and deposited.

### 2.3 Disbursements

Bad check and court-ordered restitution receipts are not transmitted timely to either the County Collector-Treasurer or victims.

- The former Prosecuting Attorney did not turn over \$7,742 to the current Prosecuting Attorney until December 2011, almost a year after the current Prosecuting Attorney took office. Some of these monies had been collected as far back as 2001. In addition, the current Prosecuting Attorney had not disbursed approximately \$1,760 (of the \$7,742) to the County Collector-Treasurer or the victims as of December 31, 2011.
- As of December 31, 2011, the current Prosecuting Attorney had not disbursed to victims approximately \$1,623 received during the year. Some of these monies had receipt dates as far back as February 2011.

To reduce the risk of loss, theft, or misuse of funds, bad check and court-ordered restitution payments should be disbursed in a timely manner.

### 2.4 Facsimile signature stamp

An employee of the Prosecuting Attorney uses a facsimile signature stamp to affix the authorized check signature to the checks, but does not initial to indicate use nor is there any review of the documents stamped. The Prosecuting Attorney is the only authorized signature for signing checks. The use of the facsimile stamp diminishes the controls intended by approval signatures.



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The Prosecuting Attorney should evaluate the need for the stamp, and if he decides to continue the practice of using the stamp, controls over the stamp should be established to reduce the risk of loss, theft, or misuse of funds.

## 2.5 Payment agreements

Defendants are not required to sign a payment agreement for bad check restitution to document the amounts owed and establish a subsequent payment schedule. A payment agreement signed by the defendant could aid in collection of amounts owed.

## 2.6 Monthly reports

The Prosecuting Attorney does not submit a record of fees collected to the County Commission. Sections 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

## 2.7 County records

The Prosecuting Attorney has not ensured county records and property are properly secured and safeguarded.

- Case files, the signature stamp, blank checks, and other records maintained by the Prosecuting Attorney are not properly safeguarded. Although the Prosecuting Attorney's office is locked, these records are accessible to non-county employees.
- The Prosecuting Attorney has not obtained all county records held by the former Prosecuting Attorney, although the former Prosecuting Attorney's term ended December 31, 2010.

Without adequate safeguards of county records and other property, there is the risk of inappropriate access. Complete and accurate records are essential in order to better serve the county and its residents.

## Similar conditions previously reported

Similar conditions to sections 2.1 and 2.3 were noted in our prior audit report.

## Recommendations

The Prosecuting Attorney:

- 2.1 Perform and document supervisory reviews of the receipting, recording, and disbursing functions. In addition, the Prosecuting Attorney should ensure payee names per the check register agree to the payees names per actual check disbursed.
- 2.2 Deposit all monies intact and in a timely manner, restrictively endorse receipts immediately upon receipt, account for the numerical sequence of receipts, reconcile receipts to deposits, and ensure receipts are not back-dated.



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- 2.3 Ensure all monies are disbursed to the County Collector-Treasurer and victims in a timely manner.
- 2.4 Evaluate the need for the signature stamp, and if continued, establish controls over the stamp.
- 2.5 Establish payment plans and require signed agreements for cases with outstanding receivables.
- 2.6 Ensure a monthly report of fees is submitted to the County Commission.
- 2.7 Ensure county records and property are properly secured and safeguarded, and obtain all county records from the former Prosecuting Attorney.

## Auditee's Response

*The Prosecuting Attorney provided the following responses:*

- 2.1 *I will document my review of the bank reconciliations and any other financial records reviewed. I will contact Karpel regarding changing the program regarding the payee's name so that the check written is to the appropriate party.*
- 2.2 *Deposits are being made daily, and money orders are endorsed upon receipt. We will account for the numerical sequence of receipts, and we are reconciling receipts to deposits. We will not back-date any receipts.*
- 2.3 *Monies are being disbursed monthly.*
- 2.4 *The employee will initial her use of the signature stamp.*
- 2.5 *Payment agreements will be obtained for any partial payments.*
- 2.6 *A monthly report of fees will be submitted to the County Commission.*
- 2.7 *We will ensure county records and property are properly secured and safeguarded, and we are starting the process of obtaining all applicable records from the previous Prosecuting Attorney.*

## 3. County Disbursements

Procedures related to compensatory time, timesheets, credit cards, and written agreements need improvement.



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### 3.1 Compensatory time

The County Clerk's office does not maintain centralized compensatory time (overtime) records. Currently, each department is responsible for maintaining its own records of compensatory time earned and used. In addition, compensatory time is not earned in accordance with the county personnel policies.

- Adequate supporting documentation was not obtained prior to paying compensatory leave to an employee that terminated employment. The employee was paid approximately \$2,710 for compensatory time in December 2011; however, the County Commission and the County Clerk did not receive supporting documentation prior to payment. The Sheriff's compensatory time records were reviewed, and the compensatory balance did not agree to the compensatory balance submitted to the County Clerk for payment.
- Compensatory time balances maintained are not accurate. For example, a Sheriff's employee earned 35.5 hours of compensatory time per the November 2011 timesheet; however, only 7 hours was added to the compensatory time balance kept by the Sheriff's department.
- The county policy indicates compensatory time should be compensated at a rate of 1.5 hours to 1 hour. However, the County Clerk and the Sheriff do not track the compensatory balances at this rate, but instead track the compensatory time at a rate of 1 hour to 1 hour. As a result of not tracking properly, the compensatory balance for one employee when adjusted to the 1.5 hour rate was 266 hours, which exceeded the maximum compensatory time allowed by county policy, or 240 hours. Because the maximum compensatory time was exceeded, the employee was not paid for the time in excess of the maximum amount upon termination.
- The county personnel policies and procedures manual states the work period is 40 hours, and overtime is earned whenever more than 40 hours are worked. However, the Sheriff's department requires deputies to work more than 160 hours in a 28 day period prior to accumulating compensatory time. For example, a Sheriff's deputy did not earn compensatory time until 167 hours had been worked per their November 2011 timesheet.

To ensure county policy is properly followed, centralized and complete leave records of all county compensatory time should be maintained by the County Clerk. Centralized leave records also aid in determining final pay for employees leaving county employment or in the event disputes arise.

### 3.2 Timesheets

County employees estimate hours to be worked during the last days of the pay period on timesheets, and documentation is not available to indicate a



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comparison is performed between actual hours worked to the reported estimated hours. The county procedure is to have the timesheets or total hours worked for each employee to the County Clerk's office 2 days in advance of the pay date to enable the payroll to be processed. The time reported for each employee represents actual hours worked from the beginning of the pay period through the date the information is submitted and estimated hours to be worked during the last 2 days of the pay period. For example, a Sheriff's deputy had 24 hours of estimated time to be worked per the November 2011 timesheet; however, no documentation was available to indicate the hours actually worked were subsequently compared to the hours estimated.

Paying county employees for estimated hours may lead to errors, inconsistencies in the calculation of compensatory and accumulated leave balances, and the potential for employees to be over/under paid. If the county continues to use estimated hours worked for the last days of the pay period, the county should establish procedures to obtain documentation from the employees' supervisors for any differences between estimated and actual time worked, and fully document any applicable adjustments to employee pay or leave records when actual time worked is different from estimated time worked.

### 3.3 Credit cards

Controls over county credit card use need improvement. County credit card purchases totaled approximately \$76,000 for the 2 years ended December 31, 2011.

- The County Clerk does not maintain a list of credit cards assigned to various county officials and employees or credit limits. In addition, cardholder assignments and usage are not periodically reviewed to determine the user actually needs a credit card and to evaluate and establish reasonable credit limits.
- Supporting documentation is not always submitted to the County Clerk for credit card charges prior to payment by the County Commission. In addition, the County Commission does not require other officeholders or supervisors to review applicable invoices prior to payment. We identified supporting documentation was not available for 5 (\$2,218) of 14 (\$3,532) invoices selected for testing from December 2011.
- Credit card bills are not provided to the County Clerk in a timely manner. As a result, late fees and finance charges have been incurred because payment was not made timely.

The County Commission should review credit card assignments and usage to evaluate each employee's continued need for a card, and maintain an up-to-date list of credit and fuel cards assigned to various county officials and



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employees. Failure to adequately account for active credit cards could result in loss, theft, and misuse going undetected. Detailed supporting documentation, such as itemized receipts and vendor invoices, should be maintained for all credit card transactions and reconciled to the credit card statements by someone other than the cardholder. Without adequate supporting documentation and proper approval, the county is unable to ensure purchases are for legitimate goods or services. In addition, failure to pay bills promptly exposes the county to unnecessary costs.

### 3.4 Agreements

The county does not have a written agreement with the Prosecuting Attorney outlining the portion of expenses to be paid by the county. In addition, the county does not have a written agreement with the 911 Board.

The Prosecuting Attorney operates the Prosecuting Attorney office from his private practice. In 2011, the county paid the Prosecuting Attorney \$4,341 for utilities and telephone costs. In 2010, the county paid the former Prosecuting Attorney \$4,787 for utilities and telephone costs. In addition, adequate documentation is not received to support the costs paid to the current Prosecuting Attorney.

The County pays \$24,000 per year to the 911 Board for expenses related to dispatching for the Sheriff's department. The county had been relying on an expired agreement dating back to 2006 to support the payment. Neither the county nor the 911 Board calculated or estimated the total cost of the services provided by the board in 2011 or 2010 to ensure the rate charged is reasonable.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. To ensure county resources are used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining expenses that will be provided by the county. In addition, the basis for the agreement should be adequately documented. The agreement should be updated when circumstances change. To ensure the amount paid is reasonable and represents the true costs of the services, the county should work with the 911 Board to establish criteria for calculating or estimating the dispatching costs.

Similar conditions  
previously reported

Similar conditions to sections 3.1 and 3.4 were noted in our prior audit report.

### Recommendations

The County Commission:

- 3.1 Require the County Clerk to maintain centralized compensatory time records for all employees, and ensure compensatory time is computed in compliance with county policy.



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- 3.2 Develop payroll procedures which require all county employees to be paid based on actual hours worked.
- 3.3 Ensure a centralized list of credit cards is maintained, supporting documentation is submitted and reviewed for all credit card usage, and the credit cards are used for official purposes only. In addition, invoices should be submitted in a timely manner for payment.
- 3.4 Ensure a written agreement is entered into with the Prosecuting Attorney and the 911 Board documenting contractual obligations of each party. In addition, the County Commission should ensure the amount paid for the services are reasonable, and supporting documentation is submitted and reviewed prior to payment.

## Auditee's Response

*The County Commission provided the following responses:*

- 3.1 *We are going to a new payroll system in August 2012 and this will keep track of compensatory time. Compensatory time will be maintained in accordance with county policy.*
- 3.2 *We are considering ways to ensure we find out actual time worked for any time estimated.*
- 3.3 *We are maintaining a centralized list of credit cards and we are getting supporting documentation for all credit card usage to ensure the cards are used for official purposes. We are making credit card payments timely.*
- 3.4 *We will obtain a contract from the Prosecuting Attorney and the 911 Board. We will discuss the 911 billing with the 911 Board. We will discuss with the Prosecuting Attorney regarding getting documentation.*

## 4. County Procedures

Procedures related to budgets, capital assets, and fuel use need improvement.

### 4.1 Budgets

Cash amounts presented in the county budgets were not accurate. Monies held in repurchase agreements were not included as a beginning available resource. As a result, the cash amount in the General Revenue Fund as of December 31, 2011 and 2010, was understated by \$620,000 and \$520,000, respectively. In addition, the cash amount in the Special Road and Bridge Fund as of December 31, 2011 and 2010, was understated by \$155,000.

Accurate county budget information is necessary to ensure the county, its citizens, and other users of the county budgets have accurate data to assist in making properly informed decisions.



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### 4.2 Capital assets

As similarly noted in our prior audit report, procedures and records to account for county property are not adequate. The County Clerk requests each office submit an inventory list; however, she does not follow up with the offices that do not submit a list. In 2011, the County Clerk did not receive any inventory lists from the offices. In addition, the county does not have adequate procedures in place to identify capital asset purchases and dispositions throughout the year. An inventory record is not maintained to identify the purchase date, acquisition costs, inventory tag numbers, and disposal information.

Adequate capital asset records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Procedures to track capital asset purchases and dispositions throughout the year and compare to physical inventory results would enhance the county's ability to account for capital assets and potentially identify unrecorded additions and dispositions, identify obsolete assets, and deter and detect theft of assets. Section 49.093, RSMo, provides that the officer or their designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

### 4.3 Fuel usage

The county has not established effective monitoring procedures regarding fuel use for county-owned vehicles. Gasoline is purchased by fuel card and on an account with a local company for ten county vehicles. Mileage is not recorded when fueling vehicles, and fuel use is not reviewed or reconciled to fuel purchases. As a result, theft and misuse of fuel could go undetected. During the 2 years ended December 31, 2011, the county incurred fuel costs of approximately \$46,000 for the road and bridge department, the Sheriff's department, and the Assessor's office.

Maintenance and review of vehicle and equipment mileage and fuel use logs and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, to prevent paying vendors for improper billing amounts, and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details to enable the county to effectively monitor vehicle and equipment use and fuel costs.

## Recommendations

The County Commission:

- 4.1 And the County Clerk ensure information reported in the budget is accurate.
- 4.2 And the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual





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physical inventories are conducted, and implement procedures for tracking capital asset purchases and dispositions throughout the year.

- 4.3 Reconcile fuel use to fuel purchases, and investigate any significant discrepancies.

## Auditee's Response

*The County Commission and the County Clerk provided the following responses:*

- 4.1 *We will do this.*

- 4.2 *We are planning on implementing this sometime this summer.*

*The County Commission provided the following response:*

- 4.3 *We are requiring mileage logs be maintained and will require this information be submitted to the County Clerk to review for reasonableness.*

## 5. Property Tax and County Collector-Treasurer Procedures

Neither the County Commission nor the County Clerk review the activities of the County Collector-Treasurer. Commissions are not in accordance with state law.

### 5.1 Property taxes

As similarly noted in our prior audit report, neither the County Commission nor the County Clerk reviews the activities of the County Collector-Treasurer, who collected approximately \$5 million during each year of the 2 years ended February 29, 2012. While the County Clerk maintains files of tax charges, additions and abatelements, and the County Collector-Treasurer's monthly settlements, the County Clerk does not use this information to create an account book or other record summarizing property tax transactions and changes. As a result, the County Clerk and the County Commission are unable to ensure the accuracy and completeness of the County Collector-Treasurer's monthly and annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, additions and abatelements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector-Treasurer each year are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's annual



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settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

### 5.2 Commissions

The incorrect commission rate for determining commissions was used for the year ended February 29, 2012, and an incorrect commission rate may have been used for the year ended February 28, 2011, resulting in excess commissions collected.

Section 54.280.2, RSMo, provides the commission fee structure for the collection of current and current delinquent taxes and indicates the collector-treasurer shall collect fees to be deposited into the county general fund based on the "total amount of taxes levied" each year. It allows a 2 1/2 percent commission rate when the total amount of taxes levied exceeds \$5 million but is equal to or less than \$9 million, and a 3 percent commission rate when the total amount of taxes levied is \$5 million or less. This section does not specify the exclusion of any taxes from the total amount of taxes levied when determining the appropriate percentage bracket for commission withholdings. However, Section 54.320.1, RSMo, establishes a 3 percent collection fee for current railroad and utility entities. Because this statute establishes withholding percentages for railroad and utility taxes, it is unclear if these taxes should be included in the total taxes levied amount for determining commission percentage brackets based on Section 54.280.2, RSMo.

For the 2 years ended February 29, 2012, commissions of 3 percent were withheld from all current and current delinquent taxes and distributed to the county. The County Collector-Treasurer should have collected commissions for current and current delinquent taxes at a 2 1/2 percent rate for the year ended February 29, 2012, because taxes levied for real and personal property for 2011 exceeded \$5 million even without considering railroad and utility taxes. As a result, the county retained approximately \$23,600 more in commissions than allowed for the year ended February 29, 2012.

Depending on how the statute is interpreted, the County Collector-Treasurer should have retained commissions at a 2 1/2 percent rate or a 3 percent rate for current and current delinquent taxes collected for the year ended February 28, 2011. Taxes levied for real and personal property for 2010 did not exceed \$5 million. However, if the taxes levied for railroad and utility taxes for 2010 are included, the total taxes levied exceeded \$5 million, making the 2 1/2 percent rate appropriate. If this is the correct method for determining the appropriate commission bracket under Section 54.280.2, RSMo, the county collected approximately \$22,600 more in commissions than allowed for the year ended February 28, 2011.

Because the decision significantly impacts amounts withheld from various taxing authorities as commissions to the county, it is important that a well-



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supported decision be made. In addition, legislative clarification is needed to ensure township-organized counties are properly collecting collector-treasurer commissions.

### Recommendations

- 5.1 The County Clerk maintain a complete and accurate account book with the County Collector-Treasurer. In addition, the County Commission and the County Clerk should monitor property tax system activities and perform a thorough review of the County Collector-Treasurer's annual settlements.
- 5.2 The County Collector-Treasurer refund \$23,600 in excess commissions withheld for the year ended February 29, 2012. In addition, the County Commission, County Clerk, and the County Collector-Treasurer should work with their county associations and pursue a legislative change to clarify this issue. The county should review yearly the total taxes levied to ensure the correct commission rate is used, and recalculate fees for past years and make any necessary corrections.

### Auditee's Response

*The County Commission and the County Clerk provided the following responses:*

- 5.1 *We have started maintaining an account book and the County Commission and the County Clerk will review the annual settlements.*
- 5.2 *We will work with the County Collector-Treasurer on determining how to refund these monies. We will work with our county associations regarding this matter. We will verify the amount of taxes levied to ensure the correct commission is withheld. We will make any necessary corrections if needed for past years.*

*The County Collector-Treasurer provided the following written responses:*

- 5.2 *The commission of 2 1/2 percent has been changed by the County Clerk on the computer. The 3 percent commission was deposited for County Revenue in the Putnam County Clearing Account. I feel it would be best to pay the monies back to the entities from the County Revenue Fund as soon as possible. I will talk to the County Commission about working with the county associations. I will review the taxes levied total to ensure the correct commission rate is used and if necessary recalculate any necessary corrections.*



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## 6. Sheriff Procedures

Procedures related to supervisory reviews, receipts, and deposits need improvement. Sheriff receipts totaled approximately \$16,800 in 2011 and \$84,700 in 2010.

### 6.1 Supervisory review

Accounting duties are not adequately segregated, and the Sheriff does not provide adequate oversight of financial functions and records. One individual is responsible for receipting, recording, depositing, preparing and signing checks, and preparing bank reconciliations. The Sheriff does not document his periodic review of the bank reconciliations and disbursements.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected.

### 6.2 Receipts and deposits

Receipting and depositing procedures are in need of improvement.

- Receipt slips were not issued for conceal and carry weapons monies, inmate collect call monies, and other miscellaneous monies received.
- Civil service fee receipts are not recorded immediately upon receipt, are held for long periods of time, and are not deposited intact or timely. Civil service fees are paid before the civil papers are served; however, the fees are held by the Sheriff's Deputy until the civil papers are served and are then receipted and deposited. For example, a check for \$50 was received by the Sheriff's department on October 28, 2011; however, the check was not recorded until December 14, 2011.
- Checks are not restrictively endorsed immediately upon receipt.

Failure to implement adequate receipting and depositing procedures increases the risk that loss or misuse of monies received will go undetected. To adequately safeguard receipts and reduce this risk, procedures should ensure all receipts are recorded immediately.

Similar conditions  
previously reported

Similar conditions to sections 6.1 and 6.2 were noted in our prior audit report.

## Recommendations

The Sheriff:

- 6.1 Document supervisory reviews of the receipting, recording, and disbursing functions.
- 6.2 Issue pre-numbered receipt slips for all monies received immediately upon receipt. In addition, monies should be



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restrictively endorsed immediately upon receipt, and receipts deposited on a timely basis.

## Auditee's Response

*The Sheriff provided the following responses:*

- 6.1 *I will review the receipt report to agree to the deposit and also review the bank reconciliations at least 3 or 4 times a year. This also includes reviewing disbursements. These reviews will be documented.*
- 6.2 *We have obtained a receipt slip book for conceal and carry monies, monies will be restrictively endorsed, and deposits will be made 2 or 3 times a week.*

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# Putnam County

## Organization and Statistical Information

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Putnam County is a township-organized, third-class county. The county seat is Unionville.

Putnam County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 22 full-time employees and 8 part-time employees on December 31, 2011. The townships maintain county roads.

In addition, county operations include the Senior Citizens' Services Board, the Putnam County Memorial Hospital, and a 911 Board. The Putnam County Memorial Hospital is audited separately, with the last audit report issued for the year ended June 30, 2011.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Randy Sands, Presiding Commissioner	\$	24,400
Shane Bradshaw, Associate Commissioner		22,440
Gerald Owings, Associate Commissioner		22,440
Jeneen Roof, Recorder of Deeds		34,000
Chrystal Perkins, County Clerk		34,000
Tom Keedy, Prosecuting Attorney		41,000
Jason Knight, Sheriff		39,000
Jennifer Gilworth, County Coroner		9,500
Nancy Mikels, Public Administrator		15,000
Sharon Thompson Parks, County Collector-Treasurer, year ended March 31,	34,000	
Paul L. Rouse, County Assessor , year ended August 31,		34,000

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

Putnam County did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Barton County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Barton County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

June 2012  
Report No. 2012-57

ANNUAL FINANCIAL REPORT

**BARTON COUNTY, MISSOURI**

For the Years Ended  
December 31, 2011 and 2010



# BARTON COUNTY, MISSOURI

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## **INTRODUCTORY SECTION**

BARTON COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – Mike Davis

Associate Commissioner – Bonda Rawlings

Associate Commissioner – Dennis Wilson

*Other Elected Officials*

Assessor – Ivan Frieden

Circuit Clerk – Janet Maupin

Coroner – C. Tucker Joustra

County Clerk – Kristina Crockett

Prosecuting Attorney – Steven Kaderly

Public Administrator – Teresa Moore

Recorder – Kathleen Dimond

Sheriff – L. Mitchell Shaw

Treasurer/Ex-Officio Collector – Frances Cato

## **FINANCIAL SECTION**

## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of Barton County, Missouri

We have audited the accompanying financial statements of Barton County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, Barton County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Barton County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of Barton County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 4, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*(Original Signed by Auditor)*

McBride, Lock & Associates

June 4, 2012

BARTON COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents	
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011	
General Revenue	\$ 614,752	\$ 1,169,049	\$ 1,195,874	\$ 587,927	\$ 1,142,305	\$ 1,143,130	\$ 587,102	
Special Road & Bridge	950,708	690,187	888,974	751,921	645,962	611,364	786,519	
Assessment	22,938	144,147	155,649	11,436	162,103	173,539	-	
Recorder's	38,736	6,087	12,678	32,145	6,084	12,850	25,379	
Prosecuting Attorney Bad Check	46,089	4,718	7,357	43,450	4,988	5,576	42,862	
Law Enforcement Sales Tax	4,121	770,294	774,415	-	719,270	715,816	3,454	
Prosecuting Attorney Training	34	1,345	1,335	44	1,650	1,228	466	
Law Enforcement Training	(3,832)	3,837	-	5	8,656	3,352	5,309	
Petty Cash	200	391	391	200	257	257	200	
Election	3,755	3,933	4,677	3,011	10,239	1,268	11,982	
911 Emergency Service	484,619	107,588	159,243	432,964	166,553	105,446	494,071	
Local Use Tax	7,019	481	7,500	-	-	-	-	
Crisis Intervention	628	310	-	938	217	397	758	
Collector's Tax Maintenance	23,913	18,232	25,560	16,585	18,962	19,499	16,048	
Sheriff's Discretionary	2,626	54,046	56,672	-	26,638	24,258	2,380	
Noxious Weed	4,932	-	-	4,932	-	38	4,894	
Local Emergency Preparedness Committee	3,871	5,228	6,251	2,848	1,620	3,669	799	
Total	<u>\$ 2,205,109</u>	<u>\$ 2,979,873</u>	<u>\$ 3,296,576</u>	<u>\$ 1,888,406</u>	<u>\$ 2,915,504</u>	<u>\$ 2,821,687</u>	<u>\$ 1,982,223</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2010		2011	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
RECEIPTS				
Property taxes	\$ 104,600	\$ 108,865	\$ 111,500	\$ 87,955
Sales taxes	462,150	504,936	495,000	507,084
Intergovernmental	39,850	62,040	73,066	70,861
Charges for services	406,485	443,759	417,250	426,131
Interest	2,000	3,390	3,500	3,068
Other	13,615	10,838	10,640	13,188
Transfers in	36,585	35,221	36,350	34,018
Total Receipts	<u>\$ 1,065,285</u>	<u>\$ 1,169,049</u>	<u>\$ 1,147,306</u>	<u>\$ 1,142,305</u>
DISBURSEMENTS				
County Commission	\$ 140,842	\$ 131,384	\$ 154,880	\$ 129,847
County Clerk	72,228	70,879	73,534	71,231
Elections	93,950	88,530	56,589	59,102
Buildings and grounds	485,850	116,782	560,113	79,945
Employee fringe benefits	138,197	134,045	134,522	126,955
Collector	114,152	103,881	139,102	113,198
Recorder of Deeds	75,157	73,711	78,003	72,599
Circuit Clerk	25,300	17,735	37,000	29,293
Court administration	17,906	12,037	13,465	16,069
Public Administrator	56,895	54,000	59,010	56,068
Prosecuting Attorney	104,300	123,127	108,944	103,883
Juvenile Officer	22,127	17,636	20,860	21,658
Coroner	25,030	22,504	24,000	21,862
Other County Government	164,587	162,315	152,625	139,408
Health and Welfare	24,871	40,103	55,696	44,649
Transfers out	30,827	27,205	26,946	57,363
Emergency fund	32,000	-	34,500	-
Total Disbursements	<u>\$ 1,624,219</u>	<u>\$ 1,195,874</u>	<u>\$ 1,729,789</u>	<u>\$ 1,143,130</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (558,934)	\$ (26,825)	\$ (582,483)	\$ (825)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>614,752</u>	<u>614,752</u>	<u>587,927</u>	<u>587,927</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 55,818</u></u>	<u><u>\$ 587,927</u></u>	<u><u>\$ 5,444</u></u>	<u><u>\$ 587,102</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.



BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH -  
BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	660,000	647,984	645,000	638,606	32,484	32,484	32,484	27,938
Charges for services		-	-	-	98,000	111,520	115,000	102,424
Interest	6,500	4,781	4,500	4,917	100	143	145	111
Other	20,050	37,422	4,550	2,439	-	-	-	-
Transfers in	-	-	-	-	30,827	-	26,946	31,630
Total Receipts	<u>\$ 686,550</u>	<u>\$ 690,187</u>	<u>\$ 654,050</u>	<u>\$ 645,962</u>	<u>\$ 161,411</u>	<u>\$ 144,147</u>	<u>\$ 174,575</u>	<u>\$ 162,103</u>
DISBURSEMENTS								
Salaries	\$ 135,000	\$ 114,719	\$ 140,000	119,005	\$ 99,988	\$ 99,988	\$ 105,838	\$ 105,838
Employee fringe benefits	47,250	36,987	51,150	35,437	32,046	30,141	31,798	29,992
Materials and supplies	336,750	213,495	377,500	191,926	10,115	4,591	7,250	4,356
Services and Other	217,000	224,339	227,800	203,584	42,200	20,929	41,096	33,353
Capital Outlay	30,000	2,385	30,000	208	-	-	-	-
Construction	346,000	269,989	523,500	34,144	-	-	-	-
Transfers out	27,060	27,060	47,060	27,060	-	-	-	-
Total Disbursements	<u>\$ 1,139,060</u>	<u>\$ 888,974</u>	<u>\$ 1,397,010</u>	<u>\$ 611,364</u>	<u>\$ 184,349</u>	<u>\$ 155,649</u>	<u>\$ 185,982</u>	<u>\$ 173,539</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (452,510)	\$ (198,787)	\$ (742,960)	\$ 34,598	\$ (22,938)	\$ (11,502)	\$ (11,407)	\$ (11,436)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>950,708</u>	<u>950,708</u>	<u>751,921</u>	<u>751,921</u>	<u>22,938</u>	<u>22,938</u>	<u>11,436</u>	<u>11,436</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 498,198</u>	<u>\$ 751,921</u>	<u>\$ 8,961</u>	<u>\$ 786,519</u>	<u>\$ -</u>	<u>\$ 11,436</u>	<u>\$ 29</u>	<u>\$ -</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	RECORDER'S FUND				PROSECUTING ATTORNEY BAD CHECK FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	5,000	5,883	5,800	5,916	-	-	-	-
Charges for services	-	-	-	-	4,300	4,498	4,000	3,449
Interest	500	204	200	168	100	220	220	241
Other	-	-	-	-	-	-	2,000	1,298
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 5,500	\$ 6,087	\$ 6,000	\$ 6,084	\$ 4,400	\$ 4,718	\$ 6,220	\$ 4,988
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	20,500	92	1,000	-	9,000	6,632	5,000	4,576
Services and other	17,833	9,425	14,240	10,892	4,000	-	4,000	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	3,161	-	1,958	800	725	1,000	1,000
Total Disbursements	\$ 38,333	\$ 12,678	\$ 15,240	\$ 12,850	\$ 13,800	\$ 7,357	\$ 10,000	\$ 5,576
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (32,833)	\$ (6,591)	\$ (9,240)	\$ (6,766)	\$ (9,400)	\$ (2,639)	\$ (3,780)	\$ (588)
CASH and CASH EQUIVALENTS, JANUARY 1	38,736	38,736	32,145	32,145	46,089	46,089	43,450	43,450
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 5,903	\$ 32,145	\$ 22,905	\$ 25,379	\$ 36,689	\$ 43,450	\$ 39,670	\$ 42,862

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT SALES TAX FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	465,160	504,881	505,000	507,087	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	159,300	146,608	148,785	125,172	650	620	600	649
Interest	25	-	-	-	-	-	-	1
Other	112,850	60,927	58,500	51,678	-	-	-	-
Transfers in	33,000	57,878	9,600	35,333	800	725	1,000	1,000
Total Receipts	<u>\$ 770,335</u>	<u>\$ 770,294</u>	<u>\$ 721,885</u>	<u>\$ 719,270</u>	<u>\$ 1,450</u>	<u>\$ 1,345</u>	<u>\$ 1,600</u>	<u>\$ 1,650</u>
DISBURSEMENTS								
Salaries	\$ 364,976	\$ 397,453	\$ 341,015	\$ 348,577	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	124,550	117,361	111,340	93,890	-	-	-	-
Materials and supplies	39,700	53,810	32,500	55,859	-	75	-	-
Services and other	245,230	205,791	236,529	217,490	1,450	1,260	1,600	1,228
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 774,456</u>	<u>\$ 774,415</u>	<u>\$ 721,384</u>	<u>\$ 715,816</u>	<u>\$ 1,450</u>	<u>\$ 1,335</u>	<u>\$ 1,600</u>	<u>\$ 1,228</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (4,121)	\$ (4,121)	\$ 501	\$ 3,454	\$ -	\$ 10	\$ -	\$ 422
CASH and CASH EQUIVALENTS, JANUARY 1	<u>4,121</u>	<u>4,121</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>	<u>44</u>	<u>44</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 501</u>	<u>\$ 3,454</u>	<u>\$ 34</u>	<u>\$ 44</u>	<u>\$ 44</u>	<u>\$ 466</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				PETTY CASH FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	2,350	2,077	2,000	2,585	-	-	-	-
Interest	-	-	-	5	-	-	-	-
Other	1,200	1,160	1,000	1,066	500	391	500	257
Transfers in	300	600	5,000	5,000	-	-	-	-
Total Receipts	<u>\$ 3,850</u>	<u>\$ 3,837</u>	<u>\$ 8,000</u>	<u>\$ 8,656</u>	<u>\$ 500</u>	<u>\$ 391</u>	<u>\$ 500</u>	<u>\$ 257</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	500	-	-	-	-	-
Services and other	-	-	7,500	3,352	500	391	500	257
Capital outlay and construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 3,352</u>	<u>\$ 500</u>	<u>\$ 391</u>	<u>\$ 500</u>	<u>\$ 257</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 3,850	\$ 3,837	\$ -	\$ 5,304	\$ -	\$ -	\$ -	\$ -
CASH and CASH EQUIVALENTS, JANUARY 1	<u>(3,832)</u>	<u>(3,832)</u>	<u>5</u>	<u>5</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 18</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 5,309</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 200</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	ELECTION FUND				911 EMERGENCY SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	42,000	41,594
Charges for services	2,000	1,719	5,926	6,341	100,500	104,813	105,900	116,186
Interest	10	11	15	31	1,100	2,219	2,000	2,601
Other	1,800	2,203	4,105	3,867	750	556	500	6,172
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 3,810</u>	<u>\$ 3,933</u>	<u>\$ 10,046</u>	<u>\$ 10,239</u>	<u>\$ 102,350</u>	<u>\$ 107,588</u>	<u>\$ 150,400</u>	<u>\$ 166,553</u>
DISBURSEMENTS								
Salaries	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	4,250	1,387	4,250	-	16,000	23,149	115,900	11,024
Services and other	2,950	3,290	3,050	1,268	344,400	136,094	466,450	94,422
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 7,200</u>	<u>\$ 4,677</u>	<u>\$ 7,300</u>	<u>\$ 1,268</u>	<u>\$ 360,400</u>	<u>\$ 159,243</u>	<u>\$ 582,350</u>	<u>\$ 105,446</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,390)	\$ (744)	\$ 2,746	\$ 8,971	\$ (258,050)	\$ (51,655)	\$ (431,950)	\$ 61,107
CASH and CASH EQUIVALENTS, JANUARY 1	<u>3,755</u>	<u>3,755</u>	<u>3,011</u>	<u>3,011</u>	<u>484,619</u>	<u>484,619</u>	<u>432,964</u>	<u>432,964</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 365</u>	<u>\$ 3,011</u>	<u>\$ 5,757</u>	<u>\$ 11,982</u>	<u>\$ 226,569</u>	<u>\$ 432,964</u>	<u>\$ 1,014</u>	<u>\$ 494,071</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	LOCAL USE TAX FUND				CRISIS INTERVENTION FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	282	310	-	217
Charges for services	-	-	-	-	-	-	-	-
Interest	-	11	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	470	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 217</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	7,000	7,500	-	-	900	-	900	397
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 7,000</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 397</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (7,000)	\$ (7,019)	\$ -	\$ -	\$ (618)	\$ 310	\$ (900)	\$ (180)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>7,019</u>	<u>7,019</u>	<u>-</u>	<u>-</u>	<u>628</u>	<u>628</u>	<u>938</u>	<u>938</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 938</u>	<u>\$ 38</u>	<u>\$ 758</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COLLECTOR TAX MAINTENANCE FUND				SHERIFF'S DISCRETIONARY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	14,375	18,118	17,500	18,864	29,000	26,668	27,000	26,272
Interest	65	114	120	98	-	-	-	-
Other	-	-	-	-	29,270	25,521	10,100	366
Transfers in	-	-	-	-	-	1,857	-	-
Total Receipts	<u>\$ 14,440</u>	<u>\$ 18,232</u>	<u>\$ 17,620</u>	<u>\$ 18,962</u>	<u>\$ 58,270</u>	<u>\$ 54,046</u>	<u>\$ 37,100</u>	<u>\$ 26,638</u>
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	21,250	17,171	12,750	11,794	5,300	2,256	9,500	3,640
Services and other	4,000	3,389	4,500	2,705	20,218	20,816	12,950	6,018
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	5,000	5,000	5,000	5,000	33,300	33,600	14,600	14,600
Total Disbursements	<u>\$ 30,250</u>	<u>\$ 25,560</u>	<u>\$ 22,250</u>	<u>\$ 19,499</u>	<u>\$ 58,818</u>	<u>\$ 56,672</u>	<u>\$ 37,050</u>	<u>\$ 24,258</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (15,810)	\$ (7,328)	\$ (4,630)	\$ (537)	\$ (548)	\$ (2,626)	\$ 50	\$ 2,380
CASH and CASH EQUIVALENTS, JANUARY 1	<u>23,913</u>	<u>23,913</u>	<u>16,585</u>	<u>16,585</u>	<u>2,626</u>	<u>2,626</u>	<u>-</u>	<u>-</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 8,103</u>	<u>\$ 16,585</u>	<u>\$ 11,955</u>	<u>\$ 16,048</u>	<u>\$ 2,078</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 2,380</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

BARTON COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	NOXIOUS WEED FUND				LOCAL EMERGENCY PREPAREDNESS COMMITTEE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	7,500	4,720	3,800	20
Charges for services	-	-	-	-	-	508	960	1,600
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,000	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,500</u>	<u>\$ 5,228</u>	<u>\$ 4,760</u>	<u>\$ 1,620</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	3,250	1,759	2,000	1,092
Services and other	4,930	-	4,930	38	7,200	4,492	5,600	2,577
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 4,930</u>	<u>\$ -</u>	<u>\$ 4,930</u>	<u>\$ 38</u>	<u>\$ 10,450</u>	<u>\$ 6,251</u>	<u>\$ 7,600</u>	<u>\$ 3,669</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (4,930)	\$ -	\$ (4,930)	\$ (38)	\$ (1,950)	\$ (1,023)	\$ (2,840)	\$ (2,049)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>4,932</u>	<u>4,932</u>	<u>4,932</u>	<u>4,932</u>	<u>3,871</u>	<u>3,871</u>	<u>2,848</u>	<u>2,848</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 2</u>	<u>\$ 4,932</u>	<u>\$ 2</u>	<u>\$ 4,894</u>	<u>\$ 1,921</u>	<u>\$ 2,848</u>	<u>\$ 8</u>	<u>\$ 799</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.



BARTON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Barton County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are nine elected Constitutional Officers: Assessor, County Clerk, Circuit Clerk, Recorder, Coroner, Prosecuting Attorney, Public Administrator, Sheriff, and Treasurer/Ex-Officio Collector.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of Barton County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered by the Missouri State Auditor's Office to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs

from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

#### D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Section 50.740 RSMo prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

Fund	2011	2010
Local Use Sales Tax	N/A	✓

- E. Property taxes are based on the voter-approved tax levy applied to the real and personal assessed property values. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and tax bills are mailed to taxpayers in October and November, at which time they are payable. All unpaid property taxes become delinquent as of January 1 of the following year.

The assessed valuations of the tangible taxable property, included within the County's boundaries for the calendar year 2011 and 2010, for purposes of taxation were:

	<u>2011</u>	<u>2010</u>
Real Estate	\$ 103,236,315	\$ 103,340,820
Personal Property	45,054,032	56,036,605
Railroad and Utilities	16,249,789	15,742,119

During 2011 and 2010, the County Commission approved a tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2011 and 2010, for purposes of County taxation, as follows:

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$0.0000	\$0.0500

F. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

G. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

## 2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments. Investments are considered short-term when original maturities are less than one year. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions, and short-term U.S. Treasury bills.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amounts of the County's deposits were \$1,982,223 and \$1,888,406, respectively, and the bank balances were \$3,161,211 and \$3,456,376, respectively. Of the bank balances, \$338,861 and \$257,372 for December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance, \$0 and \$6,007,246, respectively, were covered by the FDIC Temporary Liquidity Guarantee Program, and the remainder were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County General Revenue fund. These amounts, all of which were secured by pledged collateral, amounted to \$5,174,192 and \$5,254,714 at December 31, 2011 and 2010, respectively.

## 3. COUNTY EMPLOYEES' RETIREMENT PLANS

### A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

#### 1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

## 2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

## 3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$ 63,916 and \$ 64,766, respectively, for the years then ended.

## 4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

## 5. CLAIMS, COMMITMENT AND CONTINGENCIES

### A. Compensated Absences

The County provides full time employees with up to 30 days of sick leave to accrue at one day per complete calendar month of employment. Upon termination, an employee will not be compensated for accumulated sick leave. Vacation time is accrued for every full time employee, and accrues at the rate of one day per month up to one and one-half days per month depending on the length of employment. Employees may accrue up to fifteen days of vacation. Upon termination, an employee will be compensated for accumulated vacation time.

## B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

The County's expenditures for federal awards did not exceed \$500,000 in either 2011 or 2010. Therefore, the County is not required to obtain a Single Audit in accordance with Office of Management and Budget Circular A-133.

## 6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

## 7. LONG TERM DEBT

The County had no outstanding debt at December 31, 2011.

## 9. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 4, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

## **COMPLIANCE SECTION**

## McBRIDE, LOCK & ASSOCIATES

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of Barton County, Missouri

We have audited the accompanying financial statements of Barton County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated June 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of Barton County, Missouri is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Barton County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Barton County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Barton County, Missouri's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as item 1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency or combination



of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barton County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 2 and 3.

Barton County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Barton County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
June 4, 2012

## **FINDINGS AND RECOMMENDATIONS**

BARTON COUNTY, MISSOURI  
FINDINGS AND RECOMMENDATIONS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

None

**SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

**1. Accounting for Transfers**

Condition: The financial statements of the County as presented in the annual budget document present transfers between funds. However, the transfers reported in both 2011 and 2010 did not balance, in that transfers to other funds were not in agreement with transfers from other funds. In 2011 we noted that some transfers were mislabeled as “wages” or “other revenues”. In 2010 we noted that transfers were mislabeled as “wages” or “reimbursements”.

The financial statements included in this report have been adjusted so that transfers in and out between funds are equal as of December 31, 2011 and 2010.

Recommendation: In order to ensure that transfers are properly reported and are in balance (transfers to other funds equal transfers from other funds), we recommend the transfers be clearly identified as transfers and presented in the budget within the Transfer category. Other types of transactions should not be presented in the Transfers Category.

County Response: Transfers for 2010 and 2011 were made based on our understanding from the previous audit - transfer amounts should match what was budgeted. (Additional transfers were labeled to differentiate between budgeted and not budgeted.) We understand now that what you meant to recommend was that transfers in should match transfers out - no matter what was budgeted. We will make every effort to comply.

Auditor’s Evaluation: The response is appropriate to correct the concern.

**ITEMS OF NONCOMPLIANCE**

**2. Budgetary Controls**

Condition: The County Commission did not exercise adequate budgetary control over of the Local Use Sales Tax fund during 2010. Therefore, expenditures were approved for payment that exceeded the approved budget.

RSMo 50.740 prohibits expenditures in excess of the approved budgets.

Budgetary controls are significant to the proper management and custodianship of county funds. Compliance with statutory requirements related to budgets will improve controls over county funds and help maintain the integrity of the budget process.

Recommendation: We recommend that the County adopt complete formal budgets for all funds as required by law. We also recommend the County strictly adhere to the authorized spending limits as documented in the adopted County budget. If spending needs are deemed to make the existing budgetary authority insufficient, appropriate procedures should be undertaken to amend the budget in a public meeting.

County's Response: We will monitor all fund balances to assure this will not happen in the future.

Auditor's Evaluation: The response is appropriate to correct the concern.

### **3. Timely Filing of the Collector's Settlement**

Condition: Section 139.160 of RSMo requires county collectors to settle accounts with the County Commission and file the Collector's Annual Settlement by the first Monday of March. The County's Collector-Treasurer filed annual settlements later than the due date of the first Monday in March in 2012, 2011 and 2010. The settlement for the period ending February 28, 2010 was filed on March 19, 2010. The settlement for the period ending February 28, 2011 was filed on March 22, 2011. The settlement for the period ending February 28, 2012 had not been filed as of June 4, 2012. The delinquent filings of Collector's settlements was also a finding in 2009, and in 2008 was cited by the Missouri State Auditor as an area of noncompliance with State Statutes. It is imperative that accurate and timely Collector's Settlements be filed with the County Clerk to allow for the independent verification of the Collector's accounts with the records maintained by the Clerk.

Recommendation: We recommend that the County Collector establish procedures to ensure that future settlements are submitted by the required date. We recommend that the County Clerk provide a timely certification of the Collector's accounts or obtain from the Collector a rationale of the basis for untimely filings.

County's Response: These settlements were completed before April 1, which across the state of Missouri is generally considered the "due date." To my knowledge there is no statute which contradicts the "first Monday in March," however this is an impossible expectation.

Auditor's Evaluation: The response is appropriate to correct the concern.

BARTON COUNTY, MISSOURI  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by Barton County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

1. Budgetary Controls

*Condition:* The County Commission did not exercise adequate budgetary control over a number of funds during the audit period. Two significant areas of concern were noted. They are:

- a) During the audit period, there were 6 different funds for which expenditures were approved for payment which exceeded the approved budget.
- b) Deficit cash positions

Two funds during the audit period reported expended cash in excess of the cash balance in the fund.

*Status:* This finding is partially resolved. See Findings and Recommendations, No. 2. Only one fund had expenditures approved for payment which exceed the approved budget. That fund was the Local Use Sales Tax Fund which had exceeded approved expenditures by \$500. There were no funds that expended cash in excess of the cash balance in the fund.

2. Accounting for Transfers

*Condition:* The financial statements of the County as presented in the annual budget document present transfers between funds. However, we noted that in 2008 some transfers were mislabeled as salary reimbursements or "reimbursement – other funds".

*Status:* This finding is not resolved. See Findings and Recommendations, No. 1.

3. Timely Filing of the Collector's Settlement

*Condition:* The Collector filed annual settlements later than the due date of the first Monday in March in 2008, 2009 and 2010. The settlement for the period ending February 29, 2008 was filed on July 21, 2008. The settlement for the period ending February 28, 2009 was filed on April 1, 2009. The settlement for the period ending February 28, 2010 was filed on March 19, 2010.

*Status:* This finding is not resolved. See Findings and Recommendations, No. 3.



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of McDonald County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of McDonald County, and issues a separate report on that audit. In addition, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2011, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

June 2012  
Report No. 2012-56

ANNUAL FINANCIAL REPORT

**MCDONALD COUNTY, MISSOURI**

For the Years Ended  
December 31, 2011 and 2010

# MCDONALD COUNTY, MISSOURI

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## **INTRODUCTORY SECTION**

MCDONALD COUNTY, MISSOURI  
List of Elected Officials

*County Commission*

Presiding Commissioner – Keith Lindquist

Eastern Commissioner – Sam Gaskill

Western Commissioner – Ronald Walker

*Other Elected Officials*

Assessor – Laura Pope

Circuit Clerk – Jennifer Mikeska

Collector – Brenda Gordon

Coroner – Tracy Dowd

County Clerk – Barbara Williams

Prosecuting Attorney – Jonathan Pierce

Public Administrator – Donna Underwood

Recorder – Kenny Underwood

Sheriff – Robert Evenson

Treasurer – Joye Helm

## **FINANCIAL SECTION**

## McBRIDE, LOCK & ASSOCIATES

### INDEPENDENT AUDITORS' REPORT

To the County Commission and  
Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described more fully in Note 1, McDonald County, Missouri has prepared these financial statements using accounting practices prescribed or permitted by Missouri Law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McDonald County, Missouri, as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the funds of McDonald County, Missouri, as of December 31, 2011 and 2010, and their respective cash receipts and disbursements, and budgetary results of these funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 4, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 4, 2012

MCDONALD COUNTY, MISSOURI  
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH - ALL GOVERNMENTAL FUNDS - REGULATORY BASIS  
 YEARS ENDED DECEMBER 31, 2010 AND 2011

Fund	Cash and Cash Equivalents			Cash and Cash Equivalents			Cash and Cash Equivalents		
	January 1, 2010	Receipts 2010	Disbursements 2010	December 31, 2010	Receipts 2011	Disbursements 2011	December 31, 2011		
General Revenue	\$ 770,868	\$ 1,667,775	\$ 1,687,429	\$ 751,214	\$ 1,570,665	\$ 1,487,954	\$ 833,925		
Special Road & Bridge	351,189	1,947,909	1,903,692	395,406	1,890,965	1,950,978	335,393		
Assessment	8,517	296,698	303,525	1,690	258,454	252,806	7,338		
Law Enforcement	36,983	1,776,799	1,704,958	108,824	1,636,463	1,726,359	18,928		
Health Department	10,887	485,951	469,092	27,746	449,279	452,653	24,372		
Law Enforcement Training	3,393	8,789	9,451	2,731	6,296	9,027	-		
Prosecuting Attorney Training	2,454	1,281	-	3,735	916	3,374	1,277		
Prosecuting Attorney Bad Check	4,531	38,944	19,952	23,523	35,257	17,568	41,212		
Recorder's	3,357	6,650	8,219	1,788	6,262	4,000	4,050		
Sheriff Civil	10,885	64,084	67,736	7,233	28,132	35,365	-		
Senate Bill 665	225	300	-	525	434	125	834		
Extradition and Transportation	18,139	15,872	31,885	2,126	5,695	7,778	43		
Election Service	1,090	1,589	2,152	527	1,016	812	731		
Collector's Tax Mainenance	67,197	32,409	36,009	63,597	30,816	37,692	56,721		
Concealed Weapons	15,164	11,130	21,500	4,794	6,834	11,628	-		
Bulletproof Vest Grant	-	-	-	-	10,916	10,916	-		
Inmate Security	-	-	-	-	1,824	-	1,824		
Total	<u>\$ 1,304,879</u>	<u>\$ 6,356,180</u>	<u>\$ 6,265,600</u>	<u>\$ 1,395,459</u>	<u>\$ 5,940,224</u>	<u>\$ 6,009,035</u>	<u>\$ 1,326,648</u>		

The accompanying Notes to the Financial Statements are an integral part of this statement.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

GENERAL REVENUE FUND Year Ended December 31,				
	2010		2011	
	Budget	Actual	Budget	Actual
RECEIPTS				
Property taxes	\$ 1,597	\$ 1,638	\$ 1,612	\$ 1,582
Sales taxes	1,271,652	1,197,730	1,128,262	1,116,103
Intergovernmental	178,500	136,007	122,482	129,991
Charges for services	283,977	288,988	277,000	296,097
Interest	-	10,744	-	6,192
Other	-	17,668	11,550	20,700
Transfers in	-	15,000	-	-
Total Receipts	<u>\$ 1,735,726</u>	<u>\$ 1,667,775</u>	<u>\$ 1,540,906</u>	<u>\$ 1,570,665</u>
DISBURSEMENTS				
County Commission	\$ 96,140	\$ 105,993	\$ 93,890	\$ 90,780
County Clerk	119,055	113,228	116,105	112,244
Elections	150,500	143,439	100,400	74,726
Buildings and grounds	169,475	191,058	275,950	227,476
Employee fringe benefits	84,009	97,431	87,270	97,177
Treasurer	47,200	46,380	47,200	44,231
Collector	98,862	105,932	112,900	115,524
Recorder of Deeds	87,249	78,505	93,899	88,432
Public Administrator	78,700	78,088	79,450	78,372
Health / Welfare	20,980	20,496	37,800	34,595
Debt service	30,000	30,000	-	-
Other County Government	258,572	257,174	261,455	214,092
Transfers out	692,000	349,505	584,055	283,589
Emergency fund	100,000	70,200	50,000	26,716
Total Disbursements	<u>\$ 2,032,742</u>	<u>\$ 1,687,429</u>	<u>\$ 1,940,374</u>	<u>\$ 1,487,954</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	\$ (297,016)	\$ (19,654)	\$ (399,468)	\$ 82,711
CASH and CASH EQUIVALENTS, JANUARY 1	<u>770,868</u>	<u>770,868</u>	<u>751,214</u>	<u>751,214</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 473,852</u></u>	<u><u>\$ 751,214</u></u>	<u><u>\$ 351,746</u></u>	<u><u>\$ 833,925</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	SPECIAL ROAD AND BRIDGE FUND				ASSESSMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,271,573	1,197,730	1,128,262	1,116,100	-	-	-	-
Intergovernmental	716,396	745,086	1,281,721	754,276	196,582	206,483	220,720	213,238
Charges for services	-	-	-	14,020	-	-	-	-
Interest	100	1,708	1,279	1,121	-	-	-	-
Other	771,974	3,385	248,926	5,394	5,000	19,215	14,000	5,216
Transfers in	-	-	-	-	102,000	71,000	75,305	40,000
Total Receipts	<u>\$ 2,760,043</u>	<u>\$ 1,947,909</u>	<u>\$ 2,660,188</u>	<u>\$ 1,890,965</u>	<u>\$ 303,582</u>	<u>\$ 296,698</u>	<u>\$ 310,025</u>	<u>\$ 258,454</u>
<b>DISBURSEMENTS</b>								
Salaries	\$ 684,193	\$ 696,800	\$ 684,193	657,845	\$ 199,585	\$ 198,025	\$ 198,025	\$ 186,987
Employee fringe benefits	124,248	135,983	123,690	121,748	30,801	32,039	31,000	29,126
Materials and supplies	599,000	513,784	597,500	574,421	15,000	15,267	23,000	12,621
Services and Other	448,414	404,378	483,194	399,056	56,618	58,194	49,500	24,072
Capital outlay	55,000	24,390	70,000	65,710	-	-	-	-
Construction	671,924	128,357	834,503	132,198	-	-	-	-
Transfers out	-	-	127,876	-	-	-	-	-
Total Disbursements	<u>\$ 2,582,779</u>	<u>\$ 1,903,692</u>	<u>\$ 2,920,956</u>	<u>\$ 1,950,978</u>	<u>\$ 302,004</u>	<u>\$ 303,525</u>	<u>\$ 301,525</u>	<u>\$ 252,806</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	\$ 177,264	\$ 44,217	\$ (260,768)	\$ (60,013)	\$ 1,578	\$ (6,827)	\$ 8,500	\$ 5,648
<b>CASH and CASH EQUIVALENTS, JANUARY 1</b>	<u>351,189</u>	<u>351,189</u>	<u>395,406</u>	<u>395,406</u>	<u>8,517</u>	<u>8,517</u>	<u>1,690</u>	<u>1,690</u>
<b>CASH and CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 528,453</u>	<u>\$ 395,406</u>	<u>\$ 134,638</u>	<u>\$ 335,393</u>	<u>\$ 10,095</u>	<u>\$ 1,690</u>	<u>\$ 10,190</u>	<u>\$ 7,338</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.



MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT FUND				HEALTH DEPARTMENT FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
<b>RECEIPTS</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,232,645	1,197,674	1,162,703	1,116,099	-	-	-	-
Intergovernmental	176,962	227,456	242,155	222,202	403,319	326,733	266,835	332,016
Charges for services	74,000	71,030	65,264	46,062	8,300	37,296	37,700	43,829
Interest	-	-	-	-	-	-	-	-
Other	22,700	51,440	21,800	36,076	9,483	36,922	66,081	28,434
Transfers in	150,000	229,199	148,750	216,024	50,000	85,000	50,000	45,000
Total Receipts	<u>\$ 1,656,307</u>	<u>\$ 1,776,799</u>	<u>\$ 1,640,672</u>	<u>\$ 1,636,463</u>	<u>\$ 471,102</u>	<u>\$ 485,951</u>	<u>\$ 420,616</u>	<u>\$ 449,279</u>
<b>DISBURSEMENTS</b>								
Salaries	\$ 1,007,448	\$ 1,148,513	\$ 1,084,484	\$ 1,128,161	\$ 338,703	\$ 284,016	\$ 320,312	\$ 281,733
Employee fringe benefits	156,623	82,256	149,977	173,615	45,541	43,126	41,780	39,911
Materials and supplies	53,619	47,094	40,342	28,658	20,700	32,881	10,000	41,862
Services and other	462,778	427,095	449,623	354,516	67,611	109,069	75,392	89,147
Capital outlay	-	-	-	35,837	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	5,572	-	-	-	-
Total Disbursements	<u>\$ 1,680,468</u>	<u>\$ 1,704,958</u>	<u>\$ 1,724,426</u>	<u>\$ 1,726,359</u>	<u>\$ 472,555</u>	<u>\$ 469,092</u>	<u>\$ 447,484</u>	<u>\$ 452,653</u>
<b>RECEIPTS OVER (UNDER)</b>								
DISBURSEMENTS	\$ (24,161)	\$ 71,841	\$ (83,754)	\$ (89,896)	\$ (1,453)	\$ 16,859	\$ (26,868)	\$ (3,374)
<b>CASH and CASH EQUIVALENTS, JANUARY 1</b>	<u>36,983</u>	<u>36,983</u>	<u>108,824</u>	<u>108,824</u>	<u>10,887</u>	<u>10,887</u>	<u>27,746</u>	<u>27,746</u>
<b>CASH and CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 12,822</u>	<u>\$ 108,824</u>	<u>\$ 25,070</u>	<u>\$ 18,928</u>	<u>\$ 9,434</u>	<u>\$ 27,746</u>	<u>\$ 878</u>	<u>\$ 24,372</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	LAW ENFORCEMENT TRAINING FUND				PROSECUTING ATTORNEY TRAINING FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	7,222	4,705	10,000	3,743	1,273	1,281	1,500	916
Charges for services	-	2,799	-	2,003	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	1,285	-	550	-	-	-	-
Total Receipts	<u>\$ 7,222</u>	<u>\$ 8,789</u>	<u>\$ 10,000</u>	<u>\$ 6,296</u>	<u>\$ 1,273</u>	<u>\$ 1,281</u>	<u>\$ 1,500</u>	<u>\$ 916</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	9,451	9,451	10,000	9,027	1,500	-	3,500	3,374
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 9,451</u>	<u>\$ 9,451</u>	<u>\$ 10,000</u>	<u>\$ 9,027</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 3,374</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (2,229)	\$ (662)	\$ -	\$ (2,731)	\$ (227)	\$ 1,281	\$ (2,000)	\$ (2,458)
CASH and CASH EQUIVALENTS, JANUARY 1	<u>3,393</u>	<u>3,393</u>	<u>2,731</u>	<u>2,731</u>	<u>2,454</u>	<u>2,454</u>	<u>3,735</u>	<u>3,735</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,164</u>	<u>\$ 2,731</u>	<u>\$ 2,731</u>	<u>\$ -</u>	<u>\$ 2,227</u>	<u>\$ 3,735</u>	<u>\$ 1,735</u>	<u>\$ 1,277</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	PROSECUTING ATTORNEY BAD CHECK FUND				RECORDER'S FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	3,523	-	3,687	15,000	-	-	-
Charges for services	25,000	35,421	25,000	27,620	7,000	6,650	6,100	6,262
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	3,950	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	<u>\$ 25,000</u>	<u>\$ 38,944</u>	<u>\$ 25,000</u>	<u>\$ 35,257</u>	<u>\$ 22,000</u>	<u>\$ 6,650</u>	<u>\$ 6,100</u>	<u>\$ 6,262</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	10,500	12,074	12,000	6,662	-	-	-	-
Services and other	14,500	7,878	23,000	10,906	15,000	8,219	5,000	4,000
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	<u>\$ 25,000</u>	<u>\$ 19,952</u>	<u>\$ 35,000</u>	<u>\$ 17,568</u>	<u>\$ 15,000</u>	<u>\$ 8,219</u>	<u>\$ 5,000</u>	<u>\$ 4,000</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ 18,992	\$ (10,000)	\$ 17,689	\$ 7,000	\$ (1,569)	\$ 1,100	\$ 2,262
CASH and CASH EQUIVALENTS, JANUARY 1	<u>4,531</u>	<u>4,531</u>	<u>23,523</u>	<u>23,523</u>	<u>3,357</u>	<u>3,357</u>	<u>1,788</u>	<u>1,788</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 4,531</u>	<u>\$ 23,523</u>	<u>\$ 13,523</u>	<u>\$ 41,212</u>	<u>\$ 10,357</u>	<u>\$ 1,788</u>	<u>\$ 2,888</u>	<u>\$ 4,050</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL -REGULATORY BASIS

	SHERIFF CIVIL FUND				SENATE BILL 665 FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	36,700	19,325	-	-	-	-	-	-
Charges for services	37,150	37,585	50,000	28,132	500	300	500	434
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	7,174	-	-	-	-	-	-
Total Receipts	<u>\$ 73,850</u>	<u>\$ 64,084</u>	<u>\$ 50,000</u>	<u>\$ 28,132</u>	<u>\$ 500</u>	<u>\$ 300</u>	<u>\$ 500</u>	<u>\$ 434</u>
DISBURSEMENTS								
Salaries	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-
Services and other	5,000	4,884	-	1,384	-	-	500	125
Capital outlay	45,000	43,699	50,000	19,213	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	19,153	-	14,768	-	-	-	-
Total Disbursements	<u>\$ 50,000</u>	<u>\$ 67,736</u>	<u>\$ 50,000</u>	<u>\$ 35,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 125</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 23,850	\$ (3,652)	\$ -	\$ (7,233)	\$ 500	\$ 300	\$ -	\$ 309
CASH and CASH EQUIVALENTS, JANUARY 1	<u>10,885</u>	<u>10,885</u>	<u>7,233</u>	<u>7,233</u>	<u>225</u>	<u>225</u>	<u>525</u>	<u>525</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 34,735</u>	<u>\$ 7,233</u>	<u>\$ 7,233</u>	<u>\$ -</u>	<u>\$ 725</u>	<u>\$ 525</u>	<u>\$ 525</u>	<u>\$ 834</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL-REGULATORY BASIS

	EXTRADITION AND TRANSPORTATION FUND				ELECTION SERVICE FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	18,000	7,413	15,000	5,427	12,500	1,589	3,000	1,016
Charges for services	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	8,459	-	268	-	-	-	-
Total Receipts	<u>\$ 18,000</u>	<u>\$ 15,872</u>	<u>\$ 15,000</u>	<u>\$ 5,695</u>	<u>\$ 12,500</u>	<u>\$ 1,589</u>	<u>\$ 3,000</u>	<u>\$ 1,016</u>
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	6,500	-	-	-
Services and other	10,000	5,926	15,000	7,778	5,500	2,152	3,000	812
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	25,959	-	-	-	-	-	-
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 31,885</u>	<u>\$ 15,000</u>	<u>\$ 7,778</u>	<u>\$ 12,000</u>	<u>\$ 2,152</u>	<u>\$ 3,000</u>	<u>\$ 812</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ 8,000	\$ (16,013)	\$ -	\$ (2,083)	\$ 500	\$ (563)	\$ -	\$ 204
CASH and CASH EQUIVALENTS, JANUARY 1	<u>18,139</u>	<u>18,139</u>	<u>2,126</u>	<u>2,126</u>	<u>1,090</u>	<u>1,090</u>	<u>527</u>	<u>527</u>
CASH and CASH EQUIVALENTS, DECEMBER 31	<u>\$ 26,139</u>	<u>\$ 2,126</u>	<u>\$ 2,126</u>	<u>\$ 43</u>	<u>\$ 1,590</u>	<u>\$ 527</u>	<u>\$ 527</u>	<u>\$ 731</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	COLLECTOR'S TAX MAINTENANCE FUND				CONCEALED WEAPONS FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	28,368	30,966	12,000	30,535	-	11,130	10,000	6,834
Interest	-	1,443	-	281	-	-	-	-
Other	2,500	-	50,000	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Receipts	\$ 30,868	\$ 32,409	\$ 62,000	\$ 30,816	\$ -	\$ 11,130	\$ 10,000	\$ 6,834
DISBURSEMENTS								
Salaries	-	-	-	-	-	-	-	-
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	5,000	4,635	5,000	2,721	-	-	5,000	4,650
Services and other	14,000	3,624	5,600	3,165	2,000	-	5,000	3,761
Capital outlay	28,000	12,750	40,000	31,806	12,000	14,000	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	15,000	-	-	-	7,500	-	3,217
Total Disbursements	\$ 47,000	\$ 36,009	\$ 50,600	\$ 37,692	\$ 14,000	\$ 21,500	\$ 10,000	\$ 11,628
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ (16,132)	\$ (3,600)	\$ 11,400	\$ (6,876)	\$ (14,000)	\$ (10,370)	\$ -	\$ (4,794)
CASH and CASH EQUIVALENTS, JANUARY 1	67,197	67,197	63,597	63,597	15,164	15,164	4,794	4,794
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ 51,065	\$ 63,597	\$ 74,997	\$ 56,721	\$ 1,164	\$ 4,794	\$ 4,794	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - REGULATORY BASIS

	BULLETPROOF VEST GRANT FUND				INMATE SECURITY FUND			
	Year Ended December 31,				Year Ended December 31,			
	2010		2011		2010		2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	5,612	-	-	-	-
Charges for services	-	-	-	-	-	-	-	1,824
Interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Transfers in	-	-	-	5,304	-	-	-	-
Total Receipts	\$ -	\$ -	\$ -	\$ 10,916	\$ -	\$ -	\$ -	\$ 1,824
DISBURSEMENTS								
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee fringe benefits	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	10,916	-	-	-	-
Services and other	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total Disbursements	\$ -	\$ -	\$ -	\$ 10,916	\$ -	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER)								
DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,824
CASH and CASH EQUIVALENTS, JANUARY 1	-	-	-	-	-	-	-	-
CASH and CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,824

The accompanying Notes to the Financial Statements are an integral part of these statements.

MCDONALD COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McDonald County, Missouri ("County") is governed by a three-member board of commissioners. In addition to the three board members, there are ten elected Constitutional Officers: Assessor, Circuit Clerk, Collector, County Clerk, Coroner, Prosecuting Attorney, Public Administrator, Recorder, Sheriff, and Treasurer.

As discussed further in Note 1, these financial statements are presented using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America, which would include all relevant Government Accounting Standards Board (GASB) pronouncements. The differences include use of a prescribed definition of the reporting entity and the cash basis of accounting.

A. Reporting Entity

The County's operations include tax assessments and collections, state/county courts, county recorder, public safety, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include the primary government of McDonald County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, offices that are considered by the Missouri State Auditor's Office to comprise the County's legal entity.

Certain elected County officials, particularly the County Collector, Treasurer, Circuit Clerk and Sheriff, collect and hold monies in a trustee capacity as an agent of individuals, taxing units, or other governments. These assets, which are held by these officeholders for the sole benefit of external parties, are not reported on the accompanying financial statements.

B. Basis of Presentation

Governmental Funds - Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, net assets, revenues/receipts and expenditures/disbursements. The County's funds are governmental funds. Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources are accounted for through governmental funds.

C. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs



from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

#### D. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County's policy is to adopt a budget for each governmental fund.
2. On or before the second Monday in January, each elected officer and department director will transmit to the County Commission and County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning January 1. The proposed budget includes estimated revenues and proposed expenditures, on the cash basis of accounting, for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated fund balance at the beginning of the year as well as estimated revenues to be received.
4. State law requires that, at the individual fund level, budgeted expenditures not exceed budgeted revenues plus anticipated beginning fund balance.
5. A public hearing is conducted to obtain public comment on the budget. Prior to its approval by the County Commission, the budget document is available for public inspection, which usually takes place the third and fourth weeks of January.
6. Prior to February 1, the budget is legally enacted by a vote of the County Commission.
7. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by a formal vote of the Commission. Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year.
8. Budgets are prepared and adopted on the cash basis of accounting.
9. Adoption of a formal budget is required by law. However, the County did not adopt a formal budget for the following funds.

Fund	2011	2010
Bulletproof Vest Grant	X	N/A
Inmate Security	X	N/A

10. Section 50.740 RSMo. prohibits expenditures in excess of the approved budgets. Actual expenditures exceeded budgeted amounts for the following funds:

	<u>2011</u>	<u>2010</u>
Assessment	N/A	X
Law Enforcement	X	X
Sheriff Civil Fees	N/A	X
Extradition and Transportation	N/A	X
Concealed Weapon	X	X
Health Department	X	N/A

Also, because a budget was not adopted for the Bulletproof Vest Grant fund as noted in Note 1.D.9, expenditures in that fund exceeded budgetary authority to the extent that a budget was not adopted. The Inmate Security Fund had no expenditures during the year.

#### E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents may include repurchase agreements and any other instruments with an original maturity of ninety days or less. State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, purchased at a price at or below par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions.

#### F. Interfund Activity

During the course of operations, interfund activity occurs for purposes of providing supplemental funding, reimbursements for goods provided or services rendered, or short and long-term financing.

Interfund activities are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund. However, interfund reimbursements have been eliminated from the financial statements in order that reimbursed expenditures are reported only in the funds incurring the costs.

## 2. CASH AND INVESTMENTS

The County maintains a cash and temporary investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements within the "Cash and Cash Equivalents" caption. Cash and cash equivalents include both deposits and short-term investments. Investments are considered short-term when original maturities are less than three

months. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions, and short-term U.S. Treasury bills.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2011 and 2010, the carrying amounts of the County's deposits were \$1,326,648 and \$1,395,459, respectively, and the bank balances were \$1,421,867 and \$1,517,377, respectively. Of the bank balances, \$250,000 and \$500,000 for December 31, 2011 and December 31, 2010, respectively, were covered by federal depository insurance, \$752,052 and \$777,314, respectively, were covered by the FDIC Dodd-Frank Deposit Insurance Provision, and the remainder were covered by collateral held at the Federal Reserve Bank and the County's safekeeping bank agent in the County's name or by a line of credit held by the County or by its agent in the County's name.

At December 31, 2011 and 2010, the County Collector held, in addition to the cash and cash equivalents listed above, cash representing collections of property taxes on behalf of various taxing districts in the County, including the County Library, Crowder College, and Goodman Fire District. Tax collections on deposit amounted to \$5,806,392 and \$6,918,956 at December 31, 2011 and 2010, respectively. The County Collector's deposits were covered by the FDIC Dodd-Frank Deposit Insurance Provision in the amounts of \$5,806,392 and \$6,918,956, respectively.

### 3. COUNTY EMPLOYEES' RETIREMENT PLANS

#### A. County Employees' Retirement Fund (CERF)

The County Employee's Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

##### 1) Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than one thousand (1,000) hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994.

The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

## 2) Pension Benefits

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement is at age sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

## 3) Funding Policy

In accordance with State Statutes, the Plan is partially funded through various fees collected by counties and remitted to the CERF. Further, a contribution to CERF of 2% of annual salary is required for eligible employees hired before February 2002, while a contribution of 6% of annual salary is required of employees hired after February 2002, in order to participate in CERF. During 2011 and 2010, the County collected and remitted to CERF employee contributions of approximately \$174,526 and \$182,763, respectively, for the years then ended.

## 4. POST EMPLOYMENT BENEFITS

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

## 5. CLAIMS, COMMITMENT AND CONTINGENCIES

### A. Compensated Absences

The County provides full time employees with up to thirty to sixty days of sick time, depending on length of employment, to accrue at three-fourths days per calendar month of employment. Upon termination accumulated sick leave will not be reimbursed. Vacation time is accrued for every full time employee, and accrues at the rate of zero days per year up to fifteen days per year depending on the length of employment. Employees with less than ten years of employment may carry over ten days and employees with at least ten years of employment may carry over fifteen vacation days from one year to the next. Any days accrued in excess of these are to be forfeited at the end of the year.

## B. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants, when performed, could result in the disallowance of certain costs. Accordingly, such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial and, therefore, no provision has been made in the accompanying financial statements for the potential refund of grant monies.

The County's expenditures for federal awards did not exceed \$500,000 in either 2011 or 2010, therefore, the County is not required to obtain a Single Audit in accordance with Office of Management and Budget Circular A-133.

## 6. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections which are intended to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

## 7. LONG TERM DEBT

The County had the following debt outstanding at December 31, 2011:

- A. \$102,682 for a capital lease of two International 7500 trucks. The lease is scheduled to be paid in five annual payments of \$51,341 including interest at 3.9% annually. Payments are made using available monies in the Special Road & Bridge fund. The schedule of remaining payments and interest is as follows:

Payment Date	Principal Due	Interest Rate	Interest Due	Total Due
July 15, 2012	\$ 47,559	3.9%	\$ 3,782	\$ 51,341
July 15, 2013	49,414	3.9%	1,927	51,341

- B. \$89,505 for a capital lease of a John Deere trackhoe. The lease is scheduled to be paid in five annual payments of \$29,835 including interest at 3.95% annually. Payments are made using available monies in the Special Road & Bridge fund. The schedule of remaining payments and interest is listed below:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Total Due</u>
January 20, 2012	\$ 29,553	3.95%	\$ 282	\$ 29,835
January 20, 2013	29,643	3.95%	192	29,835
January 20, 2014	29,737	3.95%	98	29,835

#### 8. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 4, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

## **COMPLIANCE SECTION**

## McBRIDE, LOCK & ASSOCIATES

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the County Commission and  
Officeholders of McDonald County, Missouri

We have audited the accompanying financial statements of McDonald County, Missouri as of and for the years ended December 31, 2011 and 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated May 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of McDonald County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered McDonald County, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDonald County, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McDonald County, Missouri's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as item 1, that we consider to be a significant deficiency in internal control over financial reporting.



A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDonald County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2.

We noted certain other matters that we reported to management of McDonald County, Missouri in the findings and recommendations section as items 3 through 5.

McDonald County, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit McDonald County, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Commission, County Officeholders, the Missouri State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*(Original Signed by Auditor)*

McBride, Lock & Associates  
May 4, 2012

## **FINDINGS AND RECOMMENDATIONS**

MCDONALD COUNTY, MISSOURI  
FINDINGS AND RECOMMENDATIONS

**MATERIAL WEAKNESSES IN INTERNAL CONTROL**

None

**SIGNIFICANT INTERNAL CONTROL DEFICIENCIES**

**1. Accounting for Transfers**

Condition: The financial statements of the County as presented in the annual budget document present transfers between funds. However, the transfers reported in both 2010 and 2011 did not balance, in that transfers to other funds were not in agreement with transfers from other funds. In 2010, the County recorded as transfers the purchase of Certificates of Deposit (CDs) by the General Revenue and Special Road & Bridge funds. In 2011, the County recorded as transfers in to the General Revenue and Special Road & Bridge funds the maturing CDs and the interest earned. Transfers should only be recorded for transactions between County funds and must balance at all times during the year. Recording the purchase and maturity of investments as transfers is not in compliance with generally accepted accounting principles or with accounting principles prescribed or permitted by Missouri Law.

Recommendation: In order to ensure that transfers are properly reported on the budgets and are in balance (transfers to other funds equal transfers from other funds), we recommend the transfers be clearly identified as transfers and presented in the budget within the Transfer category. Other types of transactions should not be presented in the Transfers category.

County Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

**ITEMS OF NONCOMPLIANCE**

**2. Budgetary Compliance**

Condition: We noted two issues with the County's budgeting process during 2011 and 2010, as follows:

- a) Adoption of a formal budget is required by law. However, the County did not adopt formal budgets for the Bulletproof Vest Grant and Inmate Security funds which were created during 2011.
- b) Actual expenditures exceeded budgeted expenditures for the following funds in 2011 and 2010:

	2011	2010
Assessment	N/A	X
Law Enforcement Sales Tax	X	X
Health Department	X	N/A
Sheriff Civil Fees	N/A	X
Extradition and Transportation	N/A	X
Concealed Weapon	X	X

State statutes prohibit the County from approving expenditures in excess of the budgeted amount for any County fund. This requirement ensures that expenditures are subject to public scrutiny as provided by their inclusion in a budget adopted or amended at a public meeting.

Recommendation: We recommend the County ensure compliance with State Statutes by adopting a formal budget for all funds and refraining from approving expenditures in excess of budgeted amounts. In the event that the originally adopted budget is inadequate to finance current year unforeseen expenditures, budgetary amendments should be discussed in a public meeting and formally adopted by the County Commission.

County Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

### **OTHER MATTERS**

In planning and performing our audit of the financial statements of McDonald County, Missouri (the County) as of and for the years ended December 31, 2011 and 2010, in accordance with generally accepted government auditing standards, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below. We previously reported on the County's internal control in our report dated May 4, 2012. (A separate report dated May 4, 2012 contains our report on significant deficiencies in the County's internal control.) This document does not affect our report dated May 4, 2012.

### **3. Variances Between Budgets**

Condition: As part of the audit, we compared the beginning and ending balances of funds as presented in the approved budgets. We noted instances in which the beginning fund balances of the General Revenue and Special Road & Bridge fund reported on the County's budgets did not agree with the ending fund balances of the same funds reported on the previous year's budgets. For example, the 2010 budget reported the cash balance of the General Revenue fund at December 31, 2009 as \$470,869, while the 2011 budget reported the beginning balance at January 1, 2010 as \$770,869, a variance of \$300,000. The variance was due to General Revenue

CD's being included in the cash balance on the 2011 budget but excluded on the 2010 budget. The variance in the Special Road & Bridge cash balance at December 31, 2009 on the 2010 and 2011 budgets was caused by the same issue.

We also noted instances in which the approved expenditure budget for some funds did not agree with the approved amount of expenditures per the previous year's budget. These differences were not always a result of budgeted amendments being adopted.

Recommendation: We recommend that the County Clerk ensure that beginning fund balances and budgeted expenditures reported on the County's budgets agree with the ending fund balances and approved expenditures reported on the previous year's budget.

County Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

#### **4. Collector's Office Internal Controls**

Condition: The blank check stock of the Collector's bank account and the Collector's signature stamp are not adequately safeguarded. The signature stamp sits on a shelf inside the Collector's vault, and the blank checks are kept in an unlocked file cabinet inside the vault. All employees of the Collector's office have access to the vault. Without proper safeguards in place, an employee with access to both the blank checks and the Collector's signature stamp could perpetrate an unauthorized expenditure of funds from the Collector's account. While the Collector might be able to detect such an expenditure with an after-the-fact review of the bank statements, there are no controls in place to prevent the expenditure from occurring.

Recommendation: We recommend that the Collector safeguard her signature stamp in a separate location from the blank check stock, such as a locked file cabinet that only she has access to, in order to prevent unauthorized disbursements of funds from the Collector's account.

County's Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

#### **5. Collector's Bank Reconciliation**

Condition: The Collector's bank reconciliations for the months ending December 31, 2010 and 2011 listed outstanding checks that were more than a year old. The reconciliation for December 31, 2010 listed one check outstanding that had been listed outstanding as far back as the December 31, 2008 bank reconciliation. The reconciliation for December 31, 2011 listed two checks as outstanding that were also listed as outstanding on the December 31, 2010 bank reconciliation.

Recommendation: We recommend that the Collector identify checks that have been outstanding for a significant amount of time and resolve them by either contacting the payor or remitting the monies to the State Treasurer's Escheats Fund in a timely manner. This will facilitate the bank reconciliation process.

County's Response: Recommendation will be implemented.

Auditor's Evaluation: The response is appropriate to correct the concern.

MCDONALD COUNTY, MISSOURI  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditors' follow-up on action taken by McDonald County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2009 and 2008.

1. The beginning balances of some funds did not match the ending balances of the fund in the previous year's budget. There were also variances between numbers reported in the approved budgets and the Treasurer's Settlements.

*Status – Not resolved. See finding No. 3.*

2. Disbursements were approved and checks signed during a Commission meeting in which all three Commissioners were absent.

*Status – Resolved.*

3. The Collector's signature stamp and blank check stock were not appropriately safeguarded against improper use.

*Status – Not resolved. See finding No. 4.*

4. Signature stamps and blank check stock in the County Clerk's office were not properly safeguarded. Also, checks were cleared without the required three signatures of the Presiding Commissioner, County Clerk, and Treasurer.

*Status – Resolved.*

5. The Collector's bank reconciliations included checks that were more than three years old.

*Status – Not resolved. See finding No. 5.*

6. The County does not have a procedure to monitor budget to actual revenues.

*Status - Resolved.*

7. The County did not appropriately record transfers between funds, including recording transactions related to certificates of deposit as transfers.

*Status – Not resolved. See finding No. 1.*

8. The County approved expenditures in excess of budgeted amounts for several funds during both 2009 and 2008.

*Status – Not resolved. See finding No. 2.*



**Thomas A. Schweich**  
Missouri State Auditor

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# Office of Attorney General



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**June 2012**

**Report No. 2012-55**

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**<http://auditor.mo.gov>**





# CITIZENS SUMMARY

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## Findings in the audit of the Office of Attorney General

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### Contingency Fee Contracts

The Attorney General's office (AGO) retained the right to reject proposals for contingency fee contracts even though state law does not include any provision for doing so once the Office of Administration (OA) has taken over the bid process. The Attorney General also accepted campaign contributions from law firms that submitted proposals. The AGO should not retain the power to reject responses or solicit new responses for contingency fee contracts after it requests the OA to handle the procurement process.

As of April 2012, bids/responses to three different request for proposals (RFP) were being evaluated related to lawsuits regarding: 1) the drug Avandia, 2) the Petroleum Storage Tank Insurance Fund, and 3) the pharmaceutical industry's use of average wholesale pricing violations. The state may recover a substantial amount of monies from these three lawsuits, and the chosen law firms may receive significant fees. The AGO has retained the right to reject responses to the RFPs and/or solicit new responses at the AGO's sole discretion, but Section 34.378.2, RSMo, contains no provision allowing the AGO to retain control over the procurement process once it requests the OA to issue an RFP. After we discussed concerns related to the procurement of these contracts, the AGO withdrew the RFPs.

Moreover, during 2011, 13 out of 28 law firms (46 percent) and/or members of the firms that submitted proposals on one or more of these RFPs made campaign contributions to the Attorney General totaling over \$170,000.

State law does not provide adequate guidance concerning the appointment of the independent panel to evaluate proposals. Additional guidance could help ensure the panel is truly independent and non-partisan.

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### Professional Services

For the 3 years ended June 30, 2011, the AGO spent approximately \$4.6 million for legal and expert witness services, but the AGO does not always prepare and retain documentation to show how and why it selected those particular attorneys and experts. For 20 of the 56 (36 percent) payments reviewed, there was no documentation to explain how the AGO made the selection.

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### Office Policies and Procedures

The AGO relies upon periodic observations by timekeepers in each division to determine when employees are present. This system provides little assurance that time worked is accounted for fully and accurately. Although attorneys prepare manual timesheets, audit staff found numerous errors when comparing the manual time sheets to the case management computer system time records. Employee leave requests were not always reconciled to the timesheets. A standardized timesheet and/or an electronic timesheet would help reduce errors and improve the efficiency of the timekeeping process.

The AGO does not routinely track costs per case when reimbursement is not available, but this information could be useful in assessing overall office performance and in making strategic case decisions. The AGO only prepares performance appraisals for professional staff, but performance appraisals for administrative support staff could also help evaluate employee job performance and assist in personnel decisions.

Internal Control Procedures	The AGO has not adequately segregated some accounting duties in the Financial Services Division (FSD) and does not perform a supervisory review of these tasks. Also, FSD employees do not prepare an initial record of receipts for monies received through the mail, making it harder to ensure all monies received are accounted for properly.
Contingency Plan	The AGO has not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Office of Attorney General did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Office of Attorney General

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Chris Koster, Attorney General  
Jefferson City, Missouri

We have audited certain operations of the Office of Attorney General, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2010, and 2009. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For areas audited, we identified (1) deficiencies in internal controls, (2) no noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Office of Attorney General.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni M. Crabtree, CPA
In-Charge Auditor:	Terri Erwin, MBA, CGAP
Audit Staff:	Kenneth Erfurth
	Gina Henley, MBA
	Josh Brock

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# Office of Attorney General

## Management Advisory Report

### State Auditor's Findings

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#### **1. Contingency Fee Contracts**

The Attorney General's office (AGO) retained the right to reject proposals for contingency fee contracts even though state law does not include any provision for doing so. In addition, the Attorney General accepted campaign contributions from law firms that submitted proposals.

#### **Background information**

The AGO may, under certain circumstances, retain private attorneys under contingency fee contracts, to represent the state in legal actions. In these situations, the AGO may 1) issue a Request for Proposals (RFP) from private attorneys and choose the lowest and best bid, 2) determine, in writing, that requesting proposals is not feasible, or 3) request the Office of Administration (OA) to issue the RFP, and establish an independent panel to evaluate the proposals and award the contract.

Effective August 2011, Sections 34.376 to 34.380, RSMo, the Transparency in Private Attorney Contracts Act, addresses the circumstances under which the AGO may retain private attorneys to act on behalf of the state under a contingency fee arrangement and establishes requirements for the AGO and private attorneys. These circumstances and requirements include:

- The AGO making a written determination, before procuring the legal services, that utilizing a contingency fee contract is both cost-effective and in the public interest.
- The AGO retaining complete control over the case, overseeing the litigation, retaining veto power over any decisions made by the private attorneys, and attending all settlement conferences. In addition, the settlement of the case must be exclusively at the discretion of the AGO.
- The AGO developing a standard addendum for every contingency fee contract which must include a description, in detail, of what is expected of both the AGO and private attorneys.
- Posting the written determination, contingency fee contract, and contingency fees paid on the AGO website.
- Requiring the private attorneys to maintain detailed records, including the documentation of all expenses, disbursements, charges, credits, underlying receipts and invoices, and other financial transactions for at least 4 years after the contract expires or is terminated. In addition, the private attorneys are required to maintain detailed contemporaneous time records for attorneys and paralegals.
- Requiring the AGO to submit an annual report to the General Assembly describing the use of contingency fee contracts for the preceding calendar year.



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Office of Attorney General  
Management Advisory Report - State Auditor's Finding

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The AGO has submitted three contingency fee determination letters to the OA for legal services regarding the drug Avandia, the Petroleum Storage Tank Insurance Fund (PSTIF), and the pharmaceutical industry's use of average wholesale pricing (AWP) violations, and the OA issued RFPs for these legal services. The determination letters and RFPs for these contracts were issued as follows:

Contract	Letter Issued	RFP Issued
Avandia	July 26, 2011	August 9, 2011
AWP	September 9, 2011	October 11, 2011
PSTIF	September 9, 2011	October 11, 2011

As of April 2012, the bids/responses to these RFPs were still being evaluated. After we discussed concerns related to the procurement of these contracts, the AGO withdrew the RFPs.

The Avandia RFP indicated the Missouri Medical Assistance Program (Medicaid) has reimbursed approximately \$43 million to doctors who prescribed Avandia to Missouri Medicaid recipients. Recent news articles reported the pharmaceutical company producing Avandia has agreed to pay \$3 billion to resolve federal criminal and civil investigations regarding the marketing of the drug and Medicaid rebate program, and is paying millions to settle patient lawsuits. In addition, the AGO has previously pursued two cases against pharmaceutical companies based on AWP pricing programs. The publicly available settlements/verdicts from these cases totaled \$13.2 million. The PSTIF RFP provides that outside counsel must first investigate whether one or more major oil companies improperly received reimbursement from the PSTIF and private insurance for the same claim, and, if warranted, pursue litigation to recover the overpayment. As a result, the potential recovery amounts cannot readily be determined.

The state may recover a substantial amount of monies from these law suits, and the law firms awarded the contracts may receive significant fees. These RFPs define contingency fees as the recovery to the state less 1) contributions to the federal government and 2) allowable expenses incurred in the litigation (net recovery). In addition, contingency fees of up to 25 percent of the net recovery is allowed.

Our audit revealed the following concerns related to contingency fee contracts for legal services:

## 1.1 Right to veto

The AGO has retained the right to reject responses to the RFP and/or solicit new responses at the AGO's sole discretion. However, Section 34.378.2, RSMo, contains no provision to allow the AGO to retain control over the procurement process after the AGO requests the OA to issue an RFP,



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establish an independent panel to evaluate the proposals, and award the contract.

## Campaign contributions

During 2011, 13 of 28 law firms (46 percent) and/or members of the firm that submitted proposals on one or more of the three contingency fee RFPs made campaign contributions totaling at least \$170,000 to the Attorney General's campaign committee, Missourians For Koster. Several firms also made contributions after the RFPs were issued. For the 4 years ended December 31, 2011, the total campaign contributions to the Attorney General from these law firms and/or members of the firm were:

	2011	2010	2009	2008
Total contributions 1) \$	172,400	0	7,100	160,125

1) Campaign contributions from these firms to the Attorney General during the first quarter of 2012 totaled \$98,700.

In addition, while the contingency fee RFPs allow law firms to form joint ventures or co-counsels, one firm must be designated as lead counsel. It is currently OA policy to only disclose the name of the lead counsel once all RFPs are received. As a result, some law firms not designated as lead counsel, may have made campaign contributions, but this would not be disclosed until the contract is awarded.

With respect to future procurements, the AGO should not retain the power to reject responses or solicit new responses for contingency fee contracts after it requests the OA to handle the procurement process. With respect to past campaign contributions from firms which bid on contracts over which the AGO retained control, the State Auditor does not have authority over matters of campaign finance. What action the Attorney General should take, if any, is a matter for the Missouri Ethics Commission, relevant professional organizations, and the Attorney General himself to decide.

## 1.2 Independent panel

State law lacks guidance regarding the appointment of the independent panel to evaluate the proposals. Additional guidance could provide assurance the panel is truly independent and non-partisan. According to OA personnel, each panel consists of only two undisclosed law school professors.

Sections 34.376 to 34.380, RSMo, do not address the number of members, or the background and/qualifications needed to serve on the independent panel. A bi-partisan panel made up of members of the General Assembly, law school professors, practicing attorneys, and the public would help ensure the evaluation of proposals is fair and objective.





Office of Attorney General  
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## Recommendations

The AGO:

- 1.1 Work with the OA to remove the veto language in future contingency fee RFPs referred to the OA, *or*, in the alternative, if the AGO retains procurement authority for future contracts, the AGO put procedures in place to decline campaign contributions from firms submitting proposals on RFPs.
- 1.2. Work with General Assembly to provide additional guidance for the appointment of the independent panel.

## Auditee's Response

- 1.1 *In consideration of the Auditor's concern regarding the right of rejection, pending requests for proposal were withdrawn May 16, 2012. The AGO will request that future RFPs referred to the OA not contain similar provisions.*
- 1.2 *The AGO works cooperatively with the legislature at its request on all matter of concern.*

## 2. Professional Services

The AGO does not always prepare and retain documentation of the methodology used and criteria considered when selecting legal and expert witness services.

Some payments for attorney and expert witness services are made from the State Legal Expense Fund through an OA appropriation, based on approval by the AGO. The Deputy Attorney General approves payments over \$5,000.

For the 3 years ended June 30, 2011, payments for legal and expert witness services totaled:

		Year Ended June 30,			
		2011	2010	2009	Total
AGO Appropriations:					
Legal services	\$ 15,834	6,084	185,278	207,196	
Expert witnesses	481,810	358,143	648,896	1,488,849	
Total	\$ 497,644	364,227	834,174	1,696,045	
Legal Expense Fund:					
Legal services	\$ 636,422	482,484	1,752,534	2,871,440	
Expert witnesses 1)	9,867	9,694	16,796	36,357	
Total	\$ 646,289	492,178	1,769,330	2,907,797	

1) Typically includes payments for insurance claims administration services selected by the OA.



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Office of Attorney General  
Management Advisory Report - State Auditor's Finding

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According to AGO personnel, the selection of legal and expert witness services is based on expertise, rates, and availability; however, the AGO does not have formal documented policies and procedures for the selection of these services. For 20 of 56 (36 percent) payments reviewed, documentation supporting the selection of the service for a particular case was not maintained. Although the AGO provided us additional information upon our request, the criteria considered or method of selection was not always adequate. Office personnel stated that selection information might not be documented because it may be considered privileged information.

Considering the magnitude of payments for outside legal and expert witness services, it appears the AGO could document decisions in a manner that protects confidential information and ensures the propriety of the decision-making process.

## Recommendation

The AGO document and retain the methodology used and criteria considered for selecting outside legal and expert witness services.

## Auditee's Response

*Legal services for Special Assistant Attorneys General are required in situations where a conflict of interest exists or in cases where highly technical expertise is required, such as in defense of medical negligence claims.*

*The AGO agrees that the criteria considered for selecting outside legal counsel and expert witnesses should be documented.*

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## 3. Office Policies and Procedures

The current practice of using attendance and attorney time records is not an efficient nor effective method of tracking employee time. In addition, the AGO does not routinely track costs per case, or require performance appraisals for all staff.

During the 3 years ended June 30, 2011, the AGO expended approximately \$51 million for employee salaries and wages.

### 3.1 Attendance records

Instead of requiring an accurate record of actual time worked, the AGO uses daily attendance records to identify if employees are present or absent from their work site.

The daily attendance records are prepared by designated timekeepers from each division. The timekeeper records whether employees are in the office, based on observations at a particular time of day. Employees are required to submit leave slips when the attendance record indicates they are absent or notify the timekeeper they were absent from the office for business purposes. The attendance and leave information is entered in the state accounting system for payroll purposes.



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Office of Attorney General  
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The AGO sometimes has to adjust state payroll records for prior period errors when employees take leave after attendance is taken and fail to submit a leave slip or to submit the leave slip timely. In addition, we noted some inconsistencies between records when comparing state payroll records, attendance records, and leave slips. Because attendance is taken at a point in time and leave can be taken after attendance is taken, the attendance records provide little assurance that employee time for the day is accounted for fully and accurately.

Accurate time records of actual time worked are necessary to document work performed and hours worked, substantiate payroll disbursements, and provide the office with a method to monitor individual attendance. In addition, the daily attendance records would not be needed if actual time records are maintained.

### 3.2 Electronic time records

The current practice of accounting for employee hours worked is not standardized, is inefficient, and has resulted in data entry errors in the case management system.

In addition to the daily attendance records, attorneys also prepare manual timesheets. However, the AGO has not developed a single comprehensive timesheet for the entire office. The timesheets and information recorded differs depending upon the AGO division, and it is unclear why different timesheet formats are necessary.

The manual timesheet information is recorded on the case management system, which produces monthly time reports for the divisions. We found numerous errors when comparing the manual timesheets and the case management system time records. For example, when reviewing AGO billing of attorney time to other entities, we found numerous instances when the time recorded on the timesheets differed from the time entered in the case management system. Although the dollar amount for these errors are not significant, some entities were either over and/or under billed. We also found some instances when timesheets were not signed by the employee's supervisor.

In addition, we found that leave requests prepared by employees are not always reconciled with the timesheets. For example, in one instance, an employee used 16 hours of annual leave according to his timesheet; however, there were no leave slips to support the 16 hours recorded.

These errors and discrepancies can be minimized, and greater efficiency achieved, with an electronic timesheet, in which employees enter their time and leave directly, and which could be uploaded to the case management system. In addition, a standardized timesheet would help ensure all mandatory time information is properly recorded in the case management



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system. AGO personnel indicated the AGO is currently participating in a pilot project with 12 employees using an electronic timekeeping system; however, the AGO has not made a decision whether to implement the electronic timesheet office-wide.

### 3.3 Costs per case

The AGO does not utilize the case management system to routinely track costs per case. The AGO receives reimbursement for the cost of investigating and prosecuting for certain types of cases; however, costs per case are not typically tracked when reimbursement is not available.

A computerized system which charges costs and time to the various cases, as well as training and administrative functions, could help the AGO monitor the costs of individual cases as well as overall office performance. Historical information regarding the costs of past litigation could help the AGO determine whether cases should be litigated or settled.

### 3.4 Performance appraisals

The AGO does not prepare performance appraisals for administrative support staff. Appraisals are only prepared for employees considered part of the professional staff.

To adequately evaluate employee job performance and to assist in personnel decisions, the office should complete annual performance appraisals on all employees.

## Recommendations

The AGO:

- 3.1&2 Develop a computerized, standardized timekeeping system which provides all relevant information for the case management system. In addition, time records should be approved by the employee's supervisor.
- 3.3 Establish procedures to track costs per case from the case management system.
- 3.4 Implement procedures to require annual performance appraisals be prepared for all employees.

## Auditee's Response

- 3.1&2 *The AGO has tested an electronic Time Management System (TMS) for daily attendance and leave usage and is considering implementing it office wide. The AGO is planning to standardize the timesheet and ensure that supervisors approve attorney time records on a monthly basis. The AGO utilizes the electronic case tracking system to track attorney time.*



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3.3 *Tracking costs per case is not feasible given current technological resources; however, the AGO will consider the Auditor's recommendation to address this issue in the future.*

3.4 *The AGO conducts written performance appraisals for all support staff one time per year. Additionally, the AGO conducts extensive written and interpersonal performance appraisals for attorneys every 6 months. The AGO evaluates the administrative support staff continuously throughout the year.*

## 4. Internal Control Procedures

The AGO does not have proper segregation of duties in some areas, and has not established an initial record of mail receipts in the Financial Services Division (FSD).

The FSD handles most AGO collection efforts to recoup monies owed to the state, or its officers and agencies. Monies received are recorded in both manual logs maintained in each case file and the division's computerized collections database, and forwarded to the fiscal unit for deposit in the state treasury.

### 4.1 Segregation of duties

The AGO has not adequately segregated duties or performed an independent review in some areas.

- One individual in the FSD prepares and maintains the accounts receivable records, including recording receivable amounts and payments; creating the cash payment log used for reconciliation; forwarding receipts to other agencies; tracking confirmations and postage return receipts from the other agencies; and resolving billing questions and other complaints. There is no supervisory review of this work.
- The FSD support staff responsible for maintaining subsidiary records in the collection database and case files are also responsible for billing and collections. There is no supervisory review of this work.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, a timely supervisory review of the work performed is necessary.

### 4.2 FSD receipts

FSD employees do not prepare an initial record of receipt for monies received through the mail. As a result, there is less assurance that all monies received are accounted for properly.



Office of Attorney General  
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FSD office staff receive and open mail and remit monies received to an employee who records the monies in the collections database. Because an initial record of mail receipts is not prepared, daily receipts cannot be reconciled to the collection system to ensure all monies received are recorded and accounted for properly.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, an initial record of monies received should be prepared and reconciled to the collections database on a daily basis.

## Recommendations

The AGO:

- 4.1 Establish proper segregation of duties over various office functions. If proper segregation is not possible or feasible, the office should ensure supervisory reviews are performed on a periodic basis.
- 4.2 Require an initial record of monies received by the FSD be prepared and reconciled to the collections data base on a daily basis.

## Auditee's Response

- 4.1 *The FSD already has procedures that provide proper segregation of duties. FSD support staff documents accounts receivable, and a different employee records the receipt of payments in the collections data base. Upon the closure of a case, the support staff members reconcile the client's signed payment receipts to the information in the collections database. The file is then submitted to a supervisor for review.*

*The individual who posts the payments also performs other duties for a number of client agencies. FSD will reevaluate case assignments with the objective of directing non-monetary case types to this individual where possible. Additionally, FSD will develop and implement a procedure for a supervisor to conduct a periodic review of the accounts receivable records created by that individual.*

- 4.2 *The Jefferson City FSD will develop a mail log and implement procedures to record all incoming payments and reconcile that information to the collections database on a daily basis. All of the other FSD offices have a comparable procedure already in place.*

## 5. Contingency Plan

The AGO has not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other disruptive event.

According to information system (IS) personnel, the AGO has a verbal disaster recovery plan and some aspects of the plan are periodically tested;



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Office of Attorney General  
Management Advisory Report - State Auditor's Finding

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however, the results are not documented or retained. The office relies heavily on its computer system for various activities, including, but not limited to, docket information for all divisions, collections and accounts receivable amounts for various cases, and electronic case information.

According to accepted standards<sup>1</sup>, contingency planning for information systems is part of an overall organizational program for achieving continuity of operations for mission/business operations. Contingency planning addresses both information system restoration and implementation of alternative mission/business processes when systems are compromised. A formal, written contingency plan should be prepared to specify actions required to re-establish critical business functions and computer systems. In the case of a disaster or other disruptive event, such documentation can reduce confusion and provide a framework for the uninterrupted continuance of operations.

## Recommendation

The AGO develop a formal written contingency plan which is periodically tested, evaluated, and updated as needed. In addition, the AGO should retain test results to aid in improving recovery procedures.

## Auditee's Response

*The AGO has implemented several steps to ensure reductions in the amount of time necessary to recover from a major disaster (tornado, fire, flood, etc.) that could greatly disrupt business continuity. The AGO utilized EMC Data Domain de-duplication and compression backup appliances for the central data center and local IBM servers with multiple hard drives at remote locations. Symantec Backup Exec and Quest vRanger Pro software packages perform backup operations for the entire office. Full backups occur once a week with incremental backup occurring all other days. All data necessary to ensure the operations of the office are kept for two weeks. Non-critical data are kept one week.*

*All data are backed up nightly. The core data center information is replicated off-site to the State Data Center in the Harry S Truman building. This replication site was chosen because it is highly secured, environmentally controlled and cost-effective. Restorations operations have been tested and proven with 100% success, in response to frequent requests.*

*The AGO is currently working on a formal written plan to outline the steps required to restore operations in a minimal timeframe in the event of a major disaster.*

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<sup>1</sup> "NIST Special Publication 800-53 Revision 3, Recommended Security Controls for Federal Information Systems and Organizations," <  
<http://csrc.nist.gov/publications/PubsSPs.html>>, accessed April 12, 2012

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# Office of Attorney General

## Organization and Statistical Information

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The Office of Attorney General was created in 1806, when Missouri was still a territory. The Missouri Constitution of 1820 provided for an appointed attorney general. It remained an appointed position until 1865, when a new constitution provided for an attorney general elected by the people.

The Attorney General's office is located in Jefferson City. There are branch offices in Kansas City, St. Louis, Springfield, and Cape Girardeau.

The office is organized into eight divisions: Agriculture and Environment, Consumer Protection, Criminal, Financial Services, Governmental Affairs, Labor, Litigation, and Public Safety. Each division is headed by a chief counsel who is responsible for the operations of the division. A Civil, Disability, and Workers' Rights Division was created in 2009. However, this division was dissolved prior to June 30, 2011, and the division's duties and responsibilities were transferred to other divisions.

Agriculture and Environment Division: This division protects Missouri's natural resources and agricultural productivity, and represents the Department of Natural Resources (DNR) including its constituent boards and commissions that regulate the use of Missouri's air, land and waters, as well as the Department of Agriculture. Attorneys take legal action to stop pollution of the state's air, water, and soil and penalize polluters through fines, penalties, and, in the most serious cases, incarceration. The division also works to protect and enhance agriculture and the quality of life for rural Missourians by enforcing the law and advocating responsible public policy. Enforcement litigation is filed primarily in state courts to seek preliminary and permanent injunctions to assure compliance with state environment laws. The division also obtains civil penalties and recovers costs and damages for the state.

Consumer Protection Division: The division handles fraud investigations and litigation. Attorneys in this division represent Missouri consumers as a group in cases of consumer fraud, securities fraud, and antitrust matters. Also, these attorneys are active in discovering businesses that commit merchandising practices fraud in connection with the sale and advertising of products or services. This division includes an investigative staff that assists attorneys in investigations involving violations of the state's Merchandising Practices Act. The No Call program, to reduce telemarketing calls, is also under this division.

Criminal Division: This division represents the state in every felony case appealed to the Supreme Court of Missouri and Missouri Court of Appeals. The attorneys in this division also defend the state in all habeas corpus actions filed by prison inmates in state and federal court and assist with extraditions to and from Missouri of those charged in criminal cases.





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Office of Attorney General  
Organization and Statistical Information

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Financial Services Division: The division pursues recoveries of monies due the Office of Attorney General and other state agencies/departments, including amounts due on defaults on student loans and economic development loans, delinquent audit and lottery commission fees, penalties owed the Missouri Ethics Commission, estate recovery cases, money owned by inmates to reimburse the state for the costs of their care, and collections in bankruptcy court.

Additionally, the attorneys in this division provide legal assistance to the Department of Social Services by establishing and enforcing child support obligations.

Governmental Affairs Division: The division represents the governor and other statewide elected officials, the Office of Administration, various state departments, and more than 30 professional licensing boards. Division attorneys defend constitutional challenges to state laws and ballot issues and enforce compliance with state laws by trusts, foundations, and nonprofit corporations. The attorneys in this division are also responsible for enforcing the state ethics and campaign finance laws, enforcing state laws requiring tobacco manufacturers to establish escrow accounts, and addressing questions about the state's open meeting and records law, commonly known as the Sunshine Law.

Labor Division: This division provides general counsel and litigation services for the Missouri Department of Labor and Industrial Relations and its officers and agencies. The division also represents the state in prevailing wage disputes, crime victims' claims, and workers' compensation cases of state employees, including claims involving the Second Injury Fund.

Litigation Division: This division is responsible for representing all state agencies, officers and employees in civil litigation matters in state and federal courts. Cases include damage claims, contract cases, civil rights cases, personal injury lawsuits, employment issues, and constitutional law issues. This division also defends the state in lawsuits brought by inmates of Missouri's correctional facilities.

Public Safety Division: The Public Safety Division handles criminal prosecutions at the trial level. The Special Prosecution Unit assists local prosecuting attorneys in serious or difficult trials, including homicide cases and grand jury proceedings. The Methamphetamine Prosecution Unit specializes in handling criminal cases involving the manufacture, sale, or possession of methamphetamine and other illegal drugs. The Workers' Compensation Fraud Unit prosecutes fraud or misconduct involving workers' compensation, and the Medicaid Fraud Control Unit prosecutes cases involving fraud of the state Medicaid program by health professionals, or abuse or neglect of Medicaid recipients by caregivers. The High Technology and Computer Crime Unit assists local law enforcement with investigations and prosecutions of computer and Internet crime cases, and



Office of Attorney General  
Organization and Statistical Information

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the Sexually Violent Predator Unit enforces the sexual violent predator law. In addition, attorneys in the division also serve as legal counsel for the Department of Public Safety, Highway Patrol, and other state law enforcement agencies, and represent those agencies in all civil litigation in which they are a party.

On January 12, 2009, Chris Koster was inaugurated as the forty-first Attorney General.

At June 30, 2011, the Office of Attorney General employed 327 full-time and 18 part-time employees.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Office of Attorney General did not receive any federal stimulus monies during the 3 years ended June 30, 2011.

## Appendix A-1

Office of Attorney General  
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
 Year Ended June 30, 2011

	Federal and Other Fund	Court Costs Fund	Antitrust Revolving Fund	Merchandising Practices Revolving Fund	Merchandising Practices Restitution Account	Health Spa Regulatory Fund	Incarceration Reimbursement Act Revolving Fund	Trust Fund	Multi-State Consumer Fraud Accounts	Total (Memorandum Only)
<b>RECEIPTS</b>										
Federal grants	\$ 3,391,146	0	0	0	0	0	0	0	0	3,391,146
Restitution	0	0	0	0	419,396	0	0	0	0	419,396
Inmate housing receipts	0	0	0	0	0	0	111,962	0	0	111,962
Penalties, awards, and settlements	0	1,183	73,406	4,247,908	0	0	0	567,271	63,665	4,953,433
Registration fees	0	0	0	21,010	0	20,925	0	0	0	41,935
No call program fees	0	0	0	310,700	0	0	0	0	0	310,700
Recovery costs	0	0	0	1,000	0	0	0	0	0	1,000
Interest	0	0	0	0	546	0	0	0	47	593
Miscellaneous	19,730	150	0	889	0	0	0	0	0	20,769
Total Receipts	3,410,876	1,333	73,406	4,581,507	419,942	20,925	111,962	567,271	63,712	9,250,934
<b>DISBURSEMENTS</b>										
Personal service	1,831,486	0	72,100	720,188	0	0	92,049	0	0	2,715,823
Employee fringe benefits	851,286	0	27,176	321,954	0	0	49,354	0	0	1,738,601
Expense and equipment	344,423	76,152	14,655	810,785	0	5,000	34,632	0	0	796,816
Payments to other parties	0	0	0	0	450,483	0	0	988,618	0	1,439,101
Leasing operations	253,217	0	0	0	0	0	9,895	0	0	263,112
Cost allocation	0	0	0	27,562	0	114	1,605	0	0	29,281
Total Disbursements	3,280,412	76,152	113,931	1,880,489	450,483	5,114	187,535	988,618	0	6,982,734
RECEIPTS OVER (UNDER) DISBURSEMENTS	130,464	(74,819)	(40,525)	2,701,018	(30,541)	15,811	(75,573)	(421,347)	63,712	2,268,200
<b>TRANSFERS</b>										
Transfers from:										
General Revenue Fund	0	165,600	69,000	0	0	0	0	0	0	234,600
Merchandising Practices Restitution Account	0	0	0	46,608	0	0	0	0	0	46,608
Transfers to:										
Merchandising Practices Revolving Fund	0	0	0	0	(46,608)	0	0	0	0	(46,608)
Total Transfers	0	165,600	69,000	46,608	(46,608)	0	0	0	0	234,600
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	130,464	90,781	28,475	2,747,626	(77,149)	15,811	(75,573)	(421,347)	63,712	2,502,800
CASH AND INVESTMENTS, JULY 1, 2010	206,049	91,706	386,472	3,650,812	305,023	212,427	500,769	525,395	0	5,878,653
CASH AND INVESTMENTS, JUNE 30, 2011	\$ 336,513	182,487	414,947	6,398,438	227,874	228,238	425,196	104,048	63,712	8,381,453

## Appendix A-2

Office of Attorney General  
Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
Year Ended June 30, 2010

	Federal and Other Fund	Court Costs Fund	Antitrust Revolving Fund	Merchandising Practices Revolving Fund	Merchandising Practices Restitution Account	Health Spa Regulatory Fund	Incarceration Reimbursement Act Revolving Fund	Trust Fund	Multi-State Consumer Fraud Accounts	Total (Memorandum Only)
<b>RECEIPTS</b>										
Federal grants	\$ 3,276,870	0	0	0	0	0	0	0	0	3,276,870
Restitution	0	0	0	0	1,044,795	0	0	0	0	1,044,795
Inmate housing receipts	0	0	0	0	0	0	137,683	0	0	137,683
Penalties, awards, and settlements	0	2,284	0	2,287,208	0	0	0	929,082	22,514,123	25,732,697
Registration fees	0	0	0	19,180	0	27,675	0	0	0	46,855
No call program fees	0	0	0	305,500	0	0	0	0	0	305,500
Recovery costs	327	242	397,643	106,900	0	0	0	0	0	505,112
Interest	0	0	0	0	1,043	0	0	0	541	1,584
Miscellaneous	53	100	0	897	0	0	0	0	0	1,050
Total Receipts	3,277,250	2,626	397,643	2,719,685	1,045,838	27,675	137,683	929,082	22,514,664	31,052,146
<b>DISBURSEMENTS</b>										
Personal service	1,711,272	0	72,100	704,416	0	0	91,638	0	0	2,579,426
Employee fringe benefits	794,147	0	26,649	304,486	0	0	48,667	0	0	1,173,949
Workers' compensation	1,223	0	0	7,001	0	0	0	0	0	8,224
Expense and equipment	449,692	90,672	0	886,457	0	5,000	45,945	984,447	244,815	2,707,028
Payments to other parties	0	0	0	0	1,106,708	0	0	0	22,768,657	23,875,365
Leasing operations	237,606	0	0	10	0	0	9,490	0	0	247,106
Cost allocation	0	1,156	4,647	20,704	0	150	1,782	0	0	28,439
Total Disbursements	3,193,940	91,828	103,396	1,923,074	1,106,708	5,150	197,522	984,447	23,013,472	30,619,537
RECEIPTS OVER (UNDER) DISBURSEMENTS	83,310	(89,202)	294,247	796,611	(60,870)	22,525	(59,839)	(55,365)	(498,808)	432,609
<b>TRANSFERS</b>										
Transfers from:										
General Revenue Fund	0	165,600	69,000	0	0	0	0	0	0	234,600
Merchandising Practices Restitution Account	0	0	0	47,262	0	0	0	0	0	47,262
Transfers to:										
Merchandising Practices Revolving Fund	0	0	0	0	(47,262)	0	0	0	0	(47,262)
Total Transfers	0	165,600	69,000	47,262	(47,262)	0	0	0	0	234,600
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	83,310	76,398	363,247	843,873	(108,132)	22,525	(59,839)	(55,365)	(498,808)	667,209
CASH AND INVESTMENTS, JULY 1, 2009	122,739	15,308	23,225	2,806,939	413,155	189,902	560,608	580,760	498,808	5,211,444
CASH AND INVESTMENTS, JUNE 30, 2010	\$ 206,049	91,706	386,472	3,650,812	305,023	212,427	500,769	525,395	0	5,878,653

## Appendix A-3

Office of Attorney General  
 Combined Statement of Receipts, Disbursements, Changes in Cash and Investments  
 Year Ended June 30, 2009

	Federal and Other Fund	Court Costs Fund	Antitrust Revolving Fund	Merchandising Practices Revolving Fund	Merchandising Practices Restitution Account	Health Spa Regulatory Fund	Incarceration Reimbursement Act Revolving Fund	Trust Fund	Multi-State Consumer Fraud Accounts	Total (Memorandum Only)
<b>RECEIPTS</b>										
Federal grants	\$ 3,460,293	0	0	0	0	0	0	0	0	3,460,293
Restitution	0	0	0	0	1,429,560	0	0	0	0	1,429,560
Inmate housing receipts	0	0	0	0	0	0	107,774	0	0	107,774
Penalties, awards, and settlements	0	1,201	27,376	3,391,180	0	0	0	776,784	226,608	4,423,149
Registration fees	0	0	0	18,870	0	22,625	0	0	0	41,495
No call program fees	0	0	0	336,950	0	0	0	0	0	336,950
Recovery costs	0	0	0	150,804	0	0	0	0	0	150,804
Interest	0	0	0	0	1,994	0	0	0	1,541	3,535
Miscellaneous	0	682	0	938	0	0	0	2,900	0	4,520
Total Receipts	3,460,293	1,883	27,376	3,898,742	1,431,554	22,625	107,774	779,684	228,149	9,958,080
<b>DISBURSEMENTS</b>										
Personal service	1,845,790	0	101,819	696,769	0	0	85,436	0	0	2,729,814
Employee fringe benefits	801,770	0	37,687	268,289	0	0	41,013	0	0	1,148,759
Workers' compensation	7,678	0	0	8,554	0	0	0	0	0	16,232
Expense and equipment	469,341	175,483	27,075	944,445	0	5,000	35,858	0	1,318	1,658,520
Payments to other parties	0	0	0	0	1,395,238	0	0	449,993	0	1,845,231
Leasing operations	235,357	0	0	11,943	0	0	7,572	0	0	254,872
Cost allocation	0	754	2,405	20,240	0	133	1,293	0	0	24,825
Total Disbursements	3,359,936	176,237	168,986	1,950,240	1,395,238	5,133	171,172	449,993	1,318	7,678,253
RECEIPTS OVER (UNDER) DISBURSEMENTS	100,357	(174,354)	(141,610)	1,948,502	36,316	17,492	(63,398)	329,691	226,831	2,279,827
<b>TRANSFERS</b>										
Transfers from:										
General Revenue Fund	0	165,600	69,000	0	0	0	0	0	0	234,600
Merchandising Practices Restitution Account	0	0	0	45,663	0	0	0	0	0	45,663
Transfers to:										
Merchandising Practices Revolving Fund	0	0	0	0	(45,663)	0	0	0	0	(45,663)
Total Transfers	0	165,600	69,000	45,663	(45,663)	0	0	0	0	234,600
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	100,357	(8,754)	(72,610)	1,994,165	(9,347)	17,492	(63,398)	329,691	226,831	2,514,427
CASH AND INVESTMENTS, JULY 1, 2008	22,382	24,062	95,835	812,774	422,502	172,410	624,006	251,069	271,977	2,697,017
CASH AND INVESTMENTS, JUNE 30, 2009	\$ 122,739	15,308	23,225	2,806,939	413,155	189,902	560,608	580,760	498,808	5,211,444

Appendix B

Office Of Attorney General  
Comparative Statement of Receipts

		Year Ended June 30,		
		2011	2010	2009
<b>GENERAL REVENUE FUND</b>				
Federal grants	\$	8,160	3,784	31,589
Penalties, court awards and settlements		7,700	21,949	25,100
Recoveries		2,825	5,086	9,940
Refunds		725	2,256	2,056
Fees for copying public records		2,397	213	2,546
Miscellaneous		1,571	1,390	6,330
Total General Revenue Fund	\$	<u>23,378</u>	<u>34,678</u>	<u>77,561</u>
<b>SECOND INJURY FUND</b>				
Refunds	\$	1,550	236	1,501
Fees for copying public records		126	0	60
Total Second Injury Fund	\$	<u>1,676</u>	<u>236</u>	<u>1,561</u>
<b>TORT VICTIMS COMPENSATION FUND</b>				
Penalties, court awards and settlements	\$	538,743	3,316,710	3,249,777
Refunds		0	16,882	0
Total Tort Victims Compensation Fund	\$	<u>538,743</u>	<u>3,333,592</u>	<u>3,249,777</u>
<b>HEALTHY FAMILIES TRUST FUND</b>				
Recoveries	\$	<u>99,473,664</u>	<u>105,239,195</u>	<u>126,050,218</u>
<b>LIFE SCIENCES RESEARCH TRUST FUND</b>				
Recoveries	\$	<u>33,157,888</u>	<u>35,079,732</u>	<u>42,016,739</u>
<b>MO HEALTHNET FRAUD PROSECUTION FUND</b>				
Penalties, court awards and settlements	\$	<u>17,500</u>	<u>5,000</u>	<u>0</u>
<b>NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT FUND</b>				
Recoveries	\$	0	391	0
Miscellaneous		0	0	279
Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	\$	<u>0</u>	<u>391</u>	<u>279</u>
<b>HAZARDOUS WASTE FUND</b>				
Refunds	\$	<u>15</u>	<u>55</u>	<u>0</u>

Appendix C-1

Office of the Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2011

	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>			
Personal Service	\$ 10,735,284	10,735,284	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	974,443	863,796	110,647
Medicaid Fraud Control Unit - Personal Service	167,101	166,398	703
Medicaid Fraud Control Unit - Expense and Equipment	393,949	177,661	216,288
Expense and Equipment	2,355,618	2,355,618	0
Total General Revenue Fund	14,626,395	14,298,757	327,638
<b>FEDERAL AND OTHER FUND</b>			
Personal Service	1,695,066	1,122,760	572,306
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	256,864	253,217	3,647
Medicaid Fraud Control Unit - Personal Service	834,177	708,726	125,451
Medicaid Fraud Control Unit - Expense and Equipment	848,971	0	848,971
Domestic Violence	100,000	0	100,000
Expense and Equipment	526,011	344,423	181,588
Total Federal and Other Fund	4,261,089	2,429,126	1,831,963
<b>GAMING COMMISSION FUND</b>			
Personal Service	109,282	91,892	17,390
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	4,948	4,947	1
Expense and Equipment	30,747	30,747	0
Total Gaming Commission Fund	144,977	127,586	17,391
<b>NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT FUND</b>			
Personal Service	36,612	36,612	0
Expense and Equipment	4,715	4,715	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	9,893	9,892	1
Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	51,220	51,219	1

Appendix C-1

Office of the Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2011

	Appropriation Authority	Expenditures	Lapsed Balances
<b>SOLID WASTE MANAGEMENT FUND</b>			
Personal Service	36,612	36,612	0
Expense and Equipment	5,215	5,215	0
Total Solid Waste Management Fund	41,827	41,827	0
<b>PETROLEUM STORAGE TANK</b>			
<b>INSURANCE FUND</b>			
Personal Service	25,108	25,108	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	4,948	4,947	1
Total Petroleum Storage Tank Insurance Fund	30,056	30,055	1
<b>MOTOR VEHICLE COMMISSION FUND</b>			
Personal Service	38,167	32,178	5,989
Expense and Equipment	11,300	6,435	4,865
Total Motor Vehicle Commission Fund	49,467	38,613	10,854
<b>HEALTH SPA REGULATORY FUND</b>			
Expense and Equipment	5,000	5,000	0
Total Health Spa Regulatory Fund	5,000	5,000	0
<b>NATURAL RESOURCES PROTECTION FUND - AIR POLLUTION PERMIT FEE</b>			
<b>SUBACCOUNT FUND</b>			
Personal Service	36,587	36,587	0
Expense and Equipment	4,715	4,715	0
Total Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	41,302	41,302	0
<b>COURT COSTS FUND</b>			
Expense and Equipment	187,000	76,152	110,848
Total Court Costs Fund	187,000	76,152	110,848
<b>SOIL AND WATER SALES TAX FUND</b>			
Personal Service	12,197	12,197	0
Expense and Equipment	2,267	2,267	0
Total Soil And Water Sales Tax Fund	14,464	14,464	0



Appendix C-1

Office of the Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2011

	Appropriation Authority	Expenditures	Lapsed Balances
<b>MERCHANDISING PRACTICES REVOLVING FUND</b>			
Personal Service	722,036	720,188	1,848
Expense and Equipment	1,844,126	810,785	1,033,341
Total Merchandising Practices Revolving Fund	2,566,162	1,530,973	1,035,189
<b>WORKERS' COMPENSATION FUND</b>			
Personal Service	294,048	287,838	6,210
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	117,258	110,830	6,428
Expense and Equipment	174,053	8,637	165,416
Total Workers' Compensation Fund	585,359	407,305	178,054
<b>SECOND INJURY FUND</b>			
Personal Service	1,945,545	1,940,937	4,608
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	117,359	110,834	6,525
Expense and Equipment	1,073,526	1,073,090	436
Total Second Injury Fund	3,136,430	3,124,861	11,569
<b>LOTTERY ENTERPRISE FUND</b>			
Personal Service	55,256	54,102	1,154
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	4,948	4,947	1
Total Lottery Enterprise Fund	60,204	59,049	1,155
<b>ANTI-TRUST REVOLVING FUND</b>			
Personal Service	369,832	72,100	297,732
Expense and Equipment	254,400	14,655	239,745
Total Anti-Trust Revolving Fund	624,232	86,755	537,477
<b>HAZARDOUS WASTE FUND</b>			
Personal Service	283,601	283,601	0
Expense and Equipment	14,880	14,880	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	18,397	18,397	0
Total Hazardous Waste Fund	316,878	316,878	0

Appendix C-1

Office of the Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2011

	Appropriation Authority	Expenditures	Lapsed Balances
<b>SAFE DRINKING WATER FUND</b>			
Personal Service	12,224	12,224	0
Expense and Equipment	2,265	2,265	0
Total Safe Drinking Water Fund	14,489	14,489	0
<b>TRUST FUND</b>			
Fulfillment or failure of conditions, or other such developments, necessary to determine the appropriate disposition of such funds, to those individuals, entities, or accounts within the State Treasury, certified by the Attorney General as being entitled to receive them - Expense and Equipment	988,619	988,618	1
Total Trust Fund	988,619	988,618	1
<b>INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	9,895	9,895	0
Expense and Equipment	45,530	34,632	10,898
Personal Service	92,054	92,049	5
Total Inmate Incarceration Reimbursement Act Revolving Fund	147,479	136,576	10,903
<b>MINED LAND RECLAMATION FUND</b>			
Personal Service	12,197	12,197	0
Expense and Equipment	2,262	2,262	0
Total Mined Land Reclamation Fund	14,459	14,459	0
Total All Funds	\$ 27,907,108	23,834,064	4,073,044

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30, 2009
<b>General Revenue Fund</b>	
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	\$ 12,851

Appendix C-2

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2010

	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>			
Personal Service	\$ 11,598,658	11,598,658	0
Medicaid Fraud Unit - Expense and Equipment	392,449	187,297	205,152
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	1,028,527	955,191	73,336
Medicaid Fraud Unit - Personal Service	168,601	167,308	1,293
Expense and Equipment	2,122,360	2,122,360	0
Total General Revenue Fund	15,310,595	15,030,814	279,781
<b>FEDERAL AND OTHER FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	246,811	237,606	9,205
Medicaid Fraud Unit - Personal Service	834,177	654,081	180,096
Medicaid Fraud Unit - Expense and Equipment	848,971	0	848,971
Personal Service	1,695,066	1,057,191	637,875
Domestic Violence	100,000	0	100,000
Expense and Equipment	526,011	449,692	76,319
Total Federal and Other Fund	4,251,036	2,398,570	1,852,466
<b>GAMING COMMISSION FUND</b>			
Personal Service	91,854	91,853	1
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	5,197	4,746	451
Expense and Equipment	48,175	48,175	0
Total Gaming Commission Fund	145,226	144,774	452
<b>NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT FUND</b>			
Personal Service	36,612	36,612	0
Expense and Equipment	4,715	4,715	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	9,439	9,438	1
Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	50,766	50,765	1

Appendix C-2

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2010

	Appropriation Authority	Expenditures	Lapsed Balances
<b>SOLID WASTE MANAGEMENT FUND</b>			
Personal Service	36,612	36,612	0
Expense and Equipment	5,215	5,215	0
Total Solid Waste Management Fund	41,827	41,827	0
<b>PETROLEUM STORAGE TANK</b>			
<b>INSURANCE FUND</b>			
Personal Service	25,108	25,108	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	5,076	4,743	333
Total Petroleum Storage Tank Insurance Fund	30,184	29,851	333
<b>MOTOR VEHICLE COMMISSION FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	82	2	80
Personal Service	39,714	39,714	0
Expense and Equipment	9,753	9,753	0
Total Motor Vehicle Commission Fund	49,549	49,469	80
<b>HEALTH SPA REGULATORY FUND</b>			
Expense and Equipment	5,000	5,000	0
Total Health Spa Regulatory Fund	5,000	5,000	0
<b>NATURAL RESOURCES PROTECTION FUND - AIR POLLUTION PERMIT FEE</b>			
<b>SUBACCOUNT FUND</b>			
Personal Service	36,587	36,587	0
Expense and Equipment	4,715	4,715	0
Total Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	41,302	41,302	0
<b>COURT COSTS FUND</b>			
Expense and Equipment	187,000	90,672	96,328
Total Court Costs Fund	187,000	90,672	96,328
<b>SOIL AND WATER SALES TAX FUND</b>			
Personal Service	12,197	12,197	0
Expense and Equipment	2,267	2,267	0
Total Soil And Water Sales Tax Fund	14,464	14,464	0

Appendix C-2

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2010

	Appropriation Authority	Expenditures	Lapsed Balances
<b>MERCHANDISING PRACTICES</b>			
<b>REVOLVING FUND</b>			
Personal Service	704,416	704,416	0
Expense and Equipment	1,861,746	886,407	975,339
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	371	10	361
Total Merchandising Practices Revolving Fund	2,566,533	1,590,833	975,700
<b>WORKERS' COMPENSATION FUND</b>			
Personal Service	319,298	319,013	285
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	115,001	111,698	3,303
Expense and Equipment	148,803	13,004	135,799
Total Workers' Compensation Fund	583,102	443,715	139,387
<b>SECOND INJURY FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	122,912	111,908	11,004
Personal Service	2,042,515	2,042,506	9
Expense and Equipment	976,556	906,999	69,557
Total Second Injury Fund	3,141,983	3,061,413	80,570
<b>LOTTERY ENTERPRISE FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	5,138	4,745	393
Personal Service	55,256	54,504	752
Total Lottery Enterprise Fund	60,394	59,249	1,145
<b>ANTI-TRUST REVOLVING FUND</b>			
Personal Service	369,832	72,100	297,732
Expense and Equipment	254,400	0	254,400
Total Anti-Trust Revolving Fund	624,232	72,100	552,132
<b>HAZARDOUS WASTE FUND</b>			
Personal Service	283,601	283,601	0
Expense and Equipment	14,880	14,880	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	17,386	15,283	2,103
Total Hazardous Waste Fund	315,867	313,764	2,103

Appendix C-2

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2010

	Appropriation Authority	Expenditures	Lapsed Balances
<b>SAFE DRINKING WATER FUND</b>			
Personal Service	12,224	12,224	0
Expense and Equipment	2,265	2,265	0
Total Safe Drinking Water Fund	14,489	14,489	0
<b>TRUST FUND</b>			
Fulfillment or failure of conditions, or other such developments, necessary to determine the appropriate disposition of such funds, to those individuals, entities, or accounts within the State Treasury, certified by the Attorney General as being entitled to receive them - Expense and Equipment	984,448	984,447	1
Total Trust Fund	984,448	984,447	1
<b>INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	10,316	9,490	826
Expense and Equipment	45,945	45,945	0
Personal Service	91,639	91,638	1
Total Inmate Incarceration Reimbursement Act Revolving Fund	147,900	147,073	827
<b>MINED LAND RECLAMATION FUND</b>			
Personal Service	12,197	12,197	0
Expense and Equipment	2,262	2,262	0
Total Mined Land Reclamation Fund	14,459	14,459	0
Total All Funds	\$ 28,580,356	24,599,050	3,981,306

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30, 2010
<b>General Revenue Fund</b>	
Medicaid Fraud Unit - Expense and Equipment	\$ 121,893
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	8,633
Total General Revenue Fund	\$ 130,526

Appendix C-3

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2009

	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>			
Personal Service	\$ 11,604,529	11,604,528	1
Medicaid Fraud Unit - Expense and Equipment	150,432	150,432	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	1,001,898	944,145	57,753
Medicaid Fraud Unit - Personal Service	166,833	166,833	0
Expense and Equipment	2,116,489	2,116,429	60
Total General Revenue Fund	15,040,181	14,982,367	57,814
<b>FEDERAL AND OTHER FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	242,894	235,357	7,537
Medicaid Fraud Unit - Personal Service	834,177	709,842	124,335
Medicaid Fraud Unit - Expense and Equipment	776,170	145,221	630,949
Domestic Violence	100,000	0	100,000
Personal Service	1,695,066	1,135,948	559,118
Expense and Equipment	526,011	324,120	201,891
Total Federal and Other Fund	4,174,318	2,550,488	1,623,830
<b>GAMING COMMISSION FUND</b>			
Personal Service	116,330	116,330	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	5,236	4,983	253
Expense and Equipment	23,699	23,699	0
Total Gaming Commission Fund	145,265	145,012	253
<b>NATURAL RESOURCES PROTECTION FUND - WATER POLLUTION PERMIT FEE SUBACCOUNT FUND</b>			
Personal Service	36,612	36,612	0
Expense and Equipment	4,715	4,715	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	10,419	9,919	500
Total Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	51,746	51,246	500

Appendix C-3

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2009

	Appropriation Authority	Expenditures	Lapsed Balances
<b>SOLID WASTE MANAGEMENT FUND</b>			
Personal Service	36,612	36,612	0
Expense and Equipment	5,215	5,215	0
Total Solid Waste Management Fund	41,827	41,827	0
<b>PETROLEUM STORAGE TANK</b>			
<b>INSURANCE FUND</b>			
Personal Service	25,108	25,108	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	1,358	1,294	64
Total Petroleum Storage Tank			0
Insurance Fund	26,466	26,402	64
<b>MOTOR VEHICLE COMMISSION FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	2,617	2,492	125
Personal Service	49,467	49,467	0
Total Motor Vehicle Commission Fund	52,084	51,959	125
<b>HEALTH SPA REGULATORY FUND</b>			
Expense and Equipment	5,000	5,000	0
Total Health Spa Regulatory Fund	5,000	5,000	0
<b>NATURAL RESOURCES PROTECTION FUND - AIR POLLUTION PERMIT FEE</b>			
<b>SUBACCOUNT FUND</b>			
Personal Service	36,587	36,587	0
Expense and Equipment	4,715	4,715	0
Total Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	41,302	41,302	0
<b>COURT COSTS FUND</b>			
Expense and Equipment	187,000	175,483	11,517
Total Court Costs Fund	187,000	175,483	11,517
<b>SOIL AND WATER SALES TAX FUND</b>			
Personal Service	12,197	12,197	0
Expense and Equipment	2,267	2,267	0
Total Soil And Water Sales Tax Fund	14,464	14,464	0



Appendix C-3

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2009

	Appropriation Authority	Expenditures	Lapsed Balances
<b>MERCHANDISING PRACTICES</b>			
<b>REVOLVING FUND</b>			
Personal Service	697,136	696,769	367
Expense and Equipment	1,869,026	943,645	925,381
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	14,543	11,943	2,600
Total Merchandising Practices	2,580,705	1,652,357	928,348
<b>WORKERS' COMPENSATION FUND</b>			
Personal Service	346,640	346,640	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	121,464	120,621	843
Expense and Equipment	121,461	9,597	111,864
Total Workers' Compensation Fund	589,565	476,858	112,707
<b>SECOND INJURY FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	147,278	143,957	3,321
Personal Service	1,884,257	1,884,256	1
Expense and Equipment	960,514	830,250	130,264
Total Second Injury Fund	2,992,049	2,858,463	133,586
<b>LOTTERY ENTERPRISE FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	3,373	3,211	162
Personal Service	55,256	55,256	0
Total Lottery Enterprise Fund	58,629	58,467	162
<b>ANTI-TRUST REVOLVING FUND</b>			
Personal Service	369,832	101,819	268,013
Expense and Equipment	254,400	27,075	227,325
Total Anti-Trust Revolving Fund	624,232	128,894	495,338
<b>HAZARDOUS WASTE FUND</b>			
Personal Service	283,601	283,601	0
Expense and Equipment	14,880	14,880	0
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	22,422	20,917	1,505
Total Hazardous Waste Fund	320,903	319,398	1,505

Appendix C-3

Office of Attorney General  
Statement Of Appropriations and Expenditures  
Year Ended June 30, 2009

	Appropriation Authority	Expenditures	Lapsed Balances
<b>SAFE DRINKING WATER FUND</b>			
Personal Service	12,224	12,224	0
Expense and Equipment	2,265	2,265	0
Total Safe Drinking Water Fund	14,489	14,489	0
<b>TRUST FUND</b>			
Fulfillment or failure of conditions, or other such developments, necessary to determine the appropriate disposition of such funds, to those individuals, entities, or accounts within the State Treasury, certified by the Attorney General as being entitled to receive them - Expense and Equipment	450,017	449,993	24
Total Trust Fund	450,017	449,993	24
<b>INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND</b>			
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	7,953	7,572	381
Expense and Equipment	45,640	35,858	9,782
Personal Service	91,944	85,436	6,508
Total Inmate Incarceration Reimbursement Act Revolving Fund	145,537	128,866	16,671
<b>MINED LAND RECLAMATION FUND</b>			
Personal Service	12,197	12,197	0
Expense and Equipment	2,262	2,262	0
Total Mined Land Reclamation Fund	14,459	14,459	0
Total All Funds	\$ 27,570,238	24,187,794	3,382,444

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30, 2009
<b>General Revenue Fund</b>	
Payment of real property leases, related services, utilities, systems furniture, and structural modifications - Expense and Equipment	\$ 47,625

Appendix D

Office of Attorney General  
Comparative Statement of Expenditures (From Appropriations)

		Year Ended June 30,				
		2011	2010	2009	2008	2007
Salaries and wages	\$	16,479,591	17,348,120	17,408,260	17,856,682	17,154,567
Travel, in-state		428,117	500,824	488,638	473,974	497,902
Travel, out-of-state		55,271	98,956	98,108	128,699	114,406
Fuel and utilities		18,402	27,418	24,407	26,202	24,088
Supplies		923,185	891,119	972,332	984,868	1,026,264
Professional development		161,360	188,431	220,258	215,066	203,601
Communication service and supplies		372,452	395,676	451,345	453,116	469,334
Services:						
Professional		1,422,457	1,125,399	1,793,955	1,751,665	1,528,308
Housekeeping and janitorial		24,701	28,524	29,796	30,364	49,801
Maintenance and repair		267,494	290,281	295,675	271,384	211,139
Equipment:						
Computer		579,176	831,834	172,151	103,836	262,428
Motorized		91,567	0	11,756	20,150	31,623
Office		226,205	105,557	54,836	30,828	67,027
Other		23,468	52,211	9,841	13,623	16,423
Property and improvements		222,494	165,846	18,238	3,890	0
Debt service		151,980	76,292	0	0	0
Real property rentals and leases		1,415,835	1,440,875	1,512,778	1,432,111	1,400,186
Equipment rental and leases		9,351	6,852	4,655	5,414	7,036
Miscellaneous expenses		47,388	39,105	166,238	46,046	60,673
Refunds		0	0	70	43	0
Payments to other parties		565,857	984,447	449,993	3,336,102	754,121
Program distributions		347,713	1,283	4,465	4,766	5,869
Total Expenditures	\$	<u>23,834,064</u>	<u>24,599,050</u>	<u>24,187,794</u>	<u>27,188,829</u>	<u>23,884,796</u>

## Appendix E

### Office of Attorney General Statement Of Changes In General Capital Assets

All Funds	Furniture and Equipment	Motor Vehicles	Total
Balance, July 1, 2008	\$ 2,593,202	545,494	3,138,696
Additions	172,310	12,893	185,203
Dispositions	(268,690)	(14,844)	(283,534)
Balance, June 30, 2009	2,496,822	543,543	3,040,365
Additions	722,640	-	722,640
Dispositions	(409,753)	(17,174)	(426,927)
Balance, June 30, 2010	2,809,709	526,369	3,336,078
Additions	510,669	107,748	618,417
Dispositions	(514,170)	(241,186)	(755,356)
Balance, June 30, 2011	\$ 2,806,208	392,931	3,199,139

Fund of Acquisition	Balance June 30, 2011
General Revenue Fund	\$ 2,238,582
Federal and Other Fund	266,140
Gaming Commission Fund	19,035
Motor Vehicle Commission Fund	2,498
Health Spa Regulatory Fund	12,679
Soil and Water Sales Tax Fund	1,164
Merchandising Practices Revolving Fund	317,019
Workers' Compensation Fund	90,507
Second Injury Fund	228,465
Antitrust Revolving Fund	129
Hazardous Waste Fund	2,614
Inmate Incarceration Reimbursement Act Revolving Fund	20,307
Total All Funds	\$ 3,199,139

Appendix F

Office of the Attorney General  
Comparative Statement Of Financial Services Division Collections

	Year Ended June 30,					
	2011		2010		2009	
	Number of Payments	Amount Collected	Number of Payments	Amount Collected	Number of Payments	Amount Collected
Forwarded to:						
AGO - Fiscal Unit *	1,140	\$ 6,410,580	1,271	\$ 8,228,827	1,534	\$ 6,313,002
Department of Social Services	2,599	8,378,788	2,770	8,124,909	2,645	9,223,121
Department of Labor and Industrial Relations	1,059	733,449	1,248	882,761	1,079	586,993
Department of Health and Senior Services	177	102,258	129	65,608	220	196,944
Department of Mental Health	66	183,537	79	293,838	93	183,068
Department of Natural Resources	87	256,402	95	137,051	137	190,975
State Lottery Commission	491	152,230	385	191,729	452	307,528
Department of Corrections	5	149	21	453,081	6	1,719
Department of Agriculture	25	6,745	45	69,591	52	43,724
Department of Economic Development	11	2,954	4	29,175	22	22,275
Department of Public Safety	27	20,749	26	13,780	18	4,218
Department of Revenue	13	4,598	11	53,700	6	20,891
Missouri Ethics Commission	52	18,540	32	5,351	57	23,525
Missouri National Guard	118	18,045	91	18,522	129	16,797
Office of Administration	17	50,479	6	42,289	5	77,152
Secretary of State	37	11,062	43	31,949	29	5,496
Department of Elementary and Secondary Education	0	0	0	0	1	51,531
Various political subdivisions	297	433,378	283	460,297	189	295,177
Other entities	284	520,684	460	68,469,027	581	3,743,381
Total	6,505	\$ 17,304,624	6,999	\$ 87,571,484	7,255	\$ 21,307,517

\* These monies are reflected in Appendices A and B.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Monarch Fire Protection District



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June 2012

Report No. 2012-54

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<http://auditor.mo.gov>

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# Monarch Fire Protection District

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Board of Directors  
Monarch Fire Protection District  
St. Louis, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2012-08, *Monarch Fire Protection District*, issued in February 2012. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the district, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we discussed the status of significant findings with relevant district officials and any corrective action taken regarding our recommendation. Supporting documentation reviewed included letters from the district's attorneys, the contract with the district's new general counsel, and minutes of closed meetings. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

Thomas A. Schweich  
State Auditor



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# Monarch Fire Protection District

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Retirement Incentive

The State Auditor's office (SAO) had concerns regarding the retirement incentive package approved by the Board. The incentive package provided for additional compensation to employees totaling \$231,000 during the 2 years ended December 31, 2011 and 2010. It is the position of the SAO that this is in violation of the Missouri Constitution. In addition, the district paid excessive additional health, vacation, and sick leave benefits to these employees.

District personnel indicated the retirement incentive was an effort to reduce salary and overtime expenses (due to the large amount of vacation earned and taken by the senior employees). The incentive package provided that the first employee to sign up would receive \$2,000 for each year of service and the next six employees to sign up would receive \$1,500 for each year of service. The package was limited to the first seven employees who signed up, with priority given to those with seniority, if multiple people signed up for the package on the same day.

The retirement incentive package also created additional health insurance benefits for these seven employees. Normally, a retiree of the district used funds from their Voluntary Employee Beneficiary Association (VEBA) account to assist in paying health insurance. For the seven employees in the incentive package, the district would pay up to \$2,000 per quarter for their health insurance for a maximum of 5 years or until they became Medicare eligible. If the employee's health insurance cost was less than \$2,000 per quarter, the district only reimbursed actual costs. This additional benefit has the potential of costing the district \$280,000 over 5 years.

The district's regular policy required employees to use vacation leave before they retired and sick leave was paid based on a percentage of the employee's normal pay rate dependent on when the sick leave was earned. Under the retirement incentive, all seven employees would be paid their vacation and sick leave in full. The employees continued to receive normal paychecks until they used their accumulated leave time, and since the employees were still on the district payroll, they also continued to receive district benefits such as health insurance. Our analysis of one employee participating in the retirement incentive indicated he was paid approximately \$34,000 for his leave time. Under normal retirement, he would have been paid approximately \$20,000 for this same leave time.

#### Recommendation

The Monarch Fire Protection Board ensure all retiree benefit expenditures are necessary and beneficial to district residents and comply with the constitution.

#### Status

##### **Not implemented**

The district has not approved another retirement incentive and has no plans of implementing one in the next couple of years. However, the Board



Monarch Fire Protection District  
Follow-up Report on Prior Audit Findings  
Status of Findings

declined to commit to not establishing future retirement incentives. The Board indicated it would apply more due diligence with how future retirement incentives are handled.

## 2.1 Legal Services

The district had not obtained proposals or written contracts for some legal services. In addition, there were no written agreements with the general counsel or the pension attorney specifying the terms of service and related compensation. The district discovered the pension attorney may have overcharged the district by approximately \$4,300, as a result of not having a written agreement documenting the hourly rate.

### Recommendation

The Monarch Fire Protection Board periodically solicit proposals for legal services and maintain all related documentation, including reasons for the district's decisions. In addition, the Board should enter into written agreements for all services.

### Status

#### **Implemented**

The district has obtained proposals for general counsel services. General Counsel duties now include personnel legal issues, which were previously handled by a different attorney. The district provided us with the contract with the new general counsel for the district and a letter from the pension attorney documenting the approved billing rates.

## 2.2 Award Banquet

The district spent approximately \$26,000 for a service awards banquet in September 2011, which was a questionable use of district funds.

### Recommendation

The Monarch Fire Protection Board ensure all expenditures are necessary and beneficial to district residents.

### Status

#### **Partially implemented**

The district indicated it had a promotion ceremony for fire fighters and was able to obtain donations for the event. The 2012 budget has no monies set aside for awards banquets. One Director indicated the district will have another awards banquet in 2013, but he wants to ensure the amount of district monies spent on the event is reasonable and a proper amount of review is performed on any items purchased to ensure taxpayer monies are spent prudently.

## 3.1 Open Minutes

From January 2010 through September 2011, the district did not document the reasons or the votes regarding meeting closure for 40 closed meetings as required by state law. In addition, the minutes of nine open meetings documented a closed meeting, but did not document the specific reasons for closing the meeting.



Monarch Fire Protection District  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Recommendation**

The Monarch Fire Protection Board ensure a roll call vote to close a meeting and reasons for going into closed meetings are documented in open meeting minutes.

**Status**

**Implemented**

The district indicated it has changed procedures and the open meeting minutes related to the three closed sessions since the audit report was issued reflect the statute, reasons, and votes for going into closed session.

**3.2 Closed Minutes**

The closed meeting minutes did not sufficiently demonstrate issues discussed were allowable under Chapter 610, RSMo, the Sunshine Law.

**Recommendation**

The Monarch Fire Protection Board ensure reasons for closing a meeting are documented and only allowable topics are discussed.

**Status**

**Partially implemented**

The district indicated when it went into closed session, it was on the advice of district counsel. The closed minutes reviewed for the April 5, May 15 and May 29, 2012, closed meetings contained sufficient details of the discussions held by the Board.

Some topics discussed during these closed meetings may not be allowable under Chapter 610, RSMo. The Board discussed their bid process and the appointment of the Fire Chief as the custodian of closed meeting records.



# Thomas A. Schweich

Missouri State Auditor

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## Ripley County



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June 2012

Report No. 2012-53

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of Ripley County

Property Tax System Controls and Procedures	The County Commission and County Clerk do not adequately review property tax system changes and activity. Although the County Collector has the ability to post additions and abatements to the property tax system, neither the County Commission nor the County Clerk reviews and approves the additions and abatements so errors or irregularities could go undetected. The method of payment is not always recorded on paid tax statements, and the composition of receipts is not reconciled to the composition of deposits. Employees of the County Collector and the County Assessor are not required to change their passwords periodically for the property tax computer system, and the property tax computer system does not have security controls to detect or prevent unlimited incorrect log-on attempts. The County Collector prepares backups for the property tax computer system, but backups are not periodically tested to ensure essential information can be recovered in the event of a disaster or computer failure.
Public Administrator	The former Public Administrator did not always file annual settlements in a timely manner as required by statute. Five annual settlements for 12 cases reviewed were filed between 1 to 8 months after the due date. The former Public Administrator did not always pay bills in a timely manner, and one ward was assessed \$60 in late charges. The former Public Administrator did not retain supporting documentation for some disbursements, and one case file did not contain a closing statement or appraisal documentation to support the \$52,836 sale of real estate.
Prosecuting Attorney	Prior audit reports have identified inadequacies in the Prosecuting Attorney's office procedures, and significant weaknesses still exist. One clerk is primarily responsible for receiving, recording, depositing and disbursing monies and reconciling the bank account and a documented supervisory review is not performed. The Prosecuting Attorney's office does not always issue receipt slips for monies received in the mail, indicate the actual date of receipt on the receipt slip, issue receipt slips in numerical order, or account for receipt slips properly. Receipts are not always deposited intact and in a timely manner and are not reconciled to deposits. An October 2011 deposit did not include \$493 in monies already received, although some monies receipted after this were included with the deposit. Our review of 26 bad check fees collected by the Prosecuting Attorney's office found 3 of the fees assessed were more than the amount established by Section 570.120, RSMo.
Sheriff	One clerk in the Sheriff's office is responsible for receiving, recording, depositing, and disbursing monies and reconciling the bank accounts without independent or supervisory review. The Sheriff's office does not always issue receipt slips and does not account for the numerical sequence of receipt slips to help ensure monies are recorded and accounted for properly. The seized property log was incomplete and inaccurate, and the

Sheriff's office has not conducted a physical inventory of all seized property or implemented procedures to review cases periodically and dispose of seized property items when appropriate.

Capital Assets and Vehicles	As noted in our prior audit report, the county does not adequately account for county property. The overall capital asset records have not been updated since 1999, annual inventory reports are not always submitted and are not always complete and accurate, and capital assets are not always identified as county property. The Road and Bridge department does not maintain bulk fuel inventory records or logs of fuel dispensed and does not reconcile fuel use to fuel purchased. Although the Sheriff's department maintains mileage and fuel use logs for vehicles, the logs are not reconciled to fuel purchased.
Leave Policies and Procedures	The county personnel policy is unclear about when vacation and sick leave is accrued by county employees, and employees are allowed to take vacation and sick leave before it is posted, resulting in negative balances.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	During the audited time period, Ripley County was awarded a \$42,819 Recovery Act: Homelessness Prevention and Rapid Re-housing grant which was passed through to the Ripley County Family Resource Center to help those in need of temporary assistance obtain and retain housing.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Ripley County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Ripley County

We have audited certain operations of Ripley County in fulfillment of our duties under Section 29.230, RSMo. In addition, Cook & Hamlin, LLC, Certified Public Accountants, was engaged to audit the financial statements of Ripley County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.



For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Ripley County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Julie Vollmer, CPA, CIA
Audit Staff:	Emily Bias
	Gina Henley

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# Ripley County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Property Tax System Controls and Procedures**

Controls and procedures over the property tax system need improvement. The County Collector's accounting procedures are not sufficient and do not provide assurance that monies collected are accounted for properly. In addition, controls over the property tax computer system are not adequate to prevent unauthorized access. The County Collector's office processed collections totaling approximately \$4 million annually during the 2 years ended February 28, 2012.

##### **1.1 Changes and reconciliations**

The County Commission and County Clerk are not adequately reviewing property tax system changes and activity. The County Assessor prepares and posts additions and abatements to the property tax system. The County Collector also has the ability to post additions and abatements to the property tax system. At the end of each month, the County Collector prints the property tax additions and abatements report. However, neither the County Commission nor the County Clerk reviews and approves the additions and abatements, and no comparison to the County Assessor's supporting documentation is performed. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored and errors or irregularities could go undetected. In addition, the County Clerk does not retain documentation of her monthly review of the County Collector's records. As a result, there is no support to show the original property tax charges and monthly balances due are correct.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. An independent review of approved additions and abatements to changes made to the property tax system would help ensure changes to the property tax system records are proper. To demonstrate compliance with Section 51.150.1(2), RSMo, which requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury, the County Clerk should retain all reconciliation records.

##### **1.2 Method of payment**

Although it is office procedure to record the method of payment on paid tax statements, it is not always recorded. In addition, the composition of receipts is not reconciled to the composition of deposits.

To ensure all monies are accounted for and deposited properly, the method of payment should be indicated on all paid tax statements, and the composition of receipts should be reconciled to the composition of bank deposits.

A similar condition was noted in our prior audit report.

##### **1.3 Passwords**

Employees in the offices of County Collector and County Assessor are not required to periodically change their passwords for the property tax



## Ripley County Management Advisory Report - State Auditor's Findings

computer system. Passwords are only changed in these offices when there is a new official or computer issues.

The lack of an effective system of passwords may allow unauthorized access and/or changes to the system. Requiring passwords to be periodically changed provides more assurance that passwords will effectively limit access to only those individuals who need access for completion of job responsibilities and reduce the possibility of unauthorized users.

### 1.4 Log-on attempts

The property tax computer system does not have security controls in place to detect or prevent incorrect log-on attempts. An unauthorized individual could try an unlimited number of times to log on the system and, if successful, have unrestricted access to programs and data files. In addition, the computers are not shut down or locked after a certain period of inactivity.

To help protect computer files, security controls should be implemented to detect incorrect log-on attempts after a certain number of tries and lock computers after a certain period of inactivity. Such controls should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

### 1.5 Backups

Backup data is not tested to help prevent loss of information and ensure all essential county information and computer systems can be recovered following a disaster or computer failure. While backups are prepared by the County Collector for the property tax computer system, the backups are not periodically tested.

Periodic testing of backup data ensures it is adequate and provides increased assurance data could be recreated if necessary.

## Recommendations

- 1.1 The County Commission and the County Clerk develop procedures to ensure all property tax additions and abatements are properly approved and monitored. The County Commission should also ensure the County Collector does not have access to post additions and abatements to the property tax system. In addition, the County Clerk should retain all documentation of monthly reconciliations.
- 1.2 The County Collector indicate the method of payment on all paid tax statements and reconcile the composition of receipts to the composition of deposits. Any differences should be investigated and resolved.
- 1.3 The County Collector and County Assessor require all employees to periodically change passwords.



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- 1.4 The County Collector and County Assessor establish security controls to detect and report incorrect log-on attempts after a certain number of tries and lock or shut down computers after a certain period of inactivity.
- 1.5 The County Collector ensure backup data is tested on a regular, predefined basis.

## Auditee's Response

*The County Clerk provided the following written response:*

- 1.1 *I retain all reports of additions, increases, abatements, statement of collections, court orders and delinquent tax reports and I reconcile the reports on a monthly basis against each prior report and the original tax collection report, noting the date of reconciliation on the report; I do not keep the calculator tape of the calculations. I now prepare an excel spreadsheet of the collections, duplicating the data entry however having formulas for calculation, as suggested by the auditors.*

*I can only monitor data regarding the additions, increases and abatements if presented to my office or to the County Commission for approval. While I do receive reports from the County Collector, the Assessor has not been presenting the changes in assessed valuation to the County Commission. The Assessor and I have discussed this matter, and she has agreed to commence presenting the changes in assessed valuation on a monthly basis thereby assisting in ensuring the property tax system can be monitored.*

*The County Commission provided the following response:*

- 1.1 *We will review additions and abatements for reasonableness. We will also inquire whether the County Collector has access to enter additions and abatements.*

*The County Collector provided the following responses:*

- 1.2 *When the new computer system is implemented, the method of payment will be indicated and reconciled to the composition of deposits.*
- 1.3 *The passwords will be changed when the new computer system is implemented. I will look into periodically changing passwords in the future.*
- 1.4 *With the new computer system, a security system will be put in place for log-on attempts.*



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1.5 *With the new computer system, the computer company will perform backups.*

*The Assessor provided the following responses:*

1.1 *I will ensure the County Clerk receives additions and abatements on a monthly basis.*

1.3 *When the new computer system is installed, passwords will be changed periodically.*

1.4 *When the new computer system is installed, a security system will be put in place for log-on attempts. The Assessor's office keeps their computer software in inquiry mode unless changes are being made.*

## **2. Public Administrator**

Procedures for filing annual settlements are not adequate. The former Public Administrator did not always pay bills on a timely basis and late fees were sometimes paid. The Public Administrator is the court appointed personal representative for wards and decedent estates of the Associate Circuit Court, Probate Division, and handled the financial activities of 12 individuals during the 2 years ended December 31, 2011.

### **2.1 Annual settlements**

The former Public Administrator did not always file annual settlements in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the court which reflects a detailed list of assets held as well as financial activity for the year. We reviewed the annual settlements filed which were due in 2010 or 2011 for the 12 cases. Five settlements were filed between 1 to 8 months after the due date.

Section 473.540, RSMo, requires the Public Administrator to file with the court an annual settlement for each ward on the anniversary of the date of becoming the personal representative.

### **2.2 Disbursements**

The former Public Administrator did not always pay bills in a timely manner. Even though some funds were available, bills for three wards were not paid timely by the former Public Administrator. For example, a December 31, 2011 nursing home bill totaling \$9,514 included charges for several months with some older than April 2011. Due to bills not being paid in a timely manner, one ward was assessed late charges for multiple bills from three vendors totaling \$60.

The Public Administrator should pay all bills timely to avoid unnecessary late fees and reflect an accurate balance of funds available.

### **2.3 Supporting documentation**

The former Public Administrator did not retain supporting documentation in the case files for some disbursements. The current Public Administrator was



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Ripley County  
Management Advisory Report - State Auditor's Findings

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able to obtain some invoices from other sources at our request. In addition, the former Public Administrator did not have supporting documentation for the sale of real estate. Proceeds from the sale of real estate totaling \$52,836 were reported on one annual settlement; however, the current Public Administrator could not locate the closing statement or appraisal documentation to support the real estate sale.

Record retention is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, states all records made or received by officials in the course of their public duties are public property and are not to be disposed of except as provided by law.

## Recommendations

The Public Administrator:

- 2.1 File annual settlements on a timely basis.
- 2.2 Pay all bills when due.
- 2.3 Ensure adequate supporting documentation is retained.

## Auditee's Response

*The current Public Administrator provided the following written responses:*

- 2.1 *I have started filing annual settlements on time.*
- 2.2 *I have been paying bills when due, if money is available.*
- 2.3 *I keep supporting documentation on all case files.*

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## 3. Prosecuting Attorney

Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's office procedures. Although some improvements have been made, significant weaknesses still exist. The Prosecuting Attorney's office collected various fees related to bad checks and restitution totaling approximately \$96,000 annually during the 2 years ended December 31, 2011.

### 3.1 Segregation of duties

The duties of receiving, recording, depositing, and disbursing monies, and reconciling the bank account are not adequately segregated. One clerk is primarily responsible for all of these duties, and a documented supervisory review of the accounting records is not performed. As a result, there is less assurance all transactions are accounted for properly and accounting records are complete and accurate.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should



## Ripley County Management Advisory Report - State Auditor's Findings

implement a documented independent or supervisory review to ensure bank records are in agreement with accounting records.

### 3.2 Receipts

The Prosecuting Attorney's office does not always issue receipt slips for monies received in the mail, and as a result, there is no overall record of receipts. Also, the actual date of receipt is not always indicated on the receipt slips. In addition, the Prosecuting Attorney's office does not always issue receipt slips in numerical order or account for them properly.

To ensure all monies collected are accounted for properly, the office should issue prenumbered receipt slips in sequential order using the actual receipt date for all monies received and account for the numerical sequence of receipt slips.

### 3.3 Deposits

Receipts are not always deposited intact and in a timely manner, and are not reconciled to deposits. For example, a \$2,150 deposit made on October 12, 2011, did not include \$493 receipted on October 7, 2011, although monies receipted on October 11, 2011, were included with the deposit. In addition, the Prosecuting Attorney's office only made one deposit in November 2011, totaling \$3,017 and one deposit in December 2011, totaling \$1,366.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact and in a timely manner. Receipts should also be reconciled to deposits before deposits are made.

### 3.4 Bad check fees

The Prosecuting Attorney's office collects bad check fees which are not calculated consistently and do not always comply with state law. During our review of 26 bad check fees, we noted 3 cases with bad check fees more than the amount established by state law. The Prosecuting Attorney's clerk indicated the computer program does not calculate bad check fees correctly.

Section 570.120, RSMo, states the various fees allowed for bad checks.

### Similar conditions previously reported

Similar conditions to sections 3.1, 3.2, and 3.3 were noted in our prior audit report.

### Recommendations

The Prosecuting Attorney:

- 3.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 3.2 Require prenumbered receipt slips be issued for all monies received and all receipt slips be dated properly. In addition, the Prosecuting



Ripley County  
Management Advisory Report - State Auditor's Findings

Attorney should ensure the numerical sequence of receipt slips is accounted for properly.

3.3 Ensure receipts are deposited intact on a timely basis and reconciled to deposits.

3.4 Ensure bad check fees comply with state law.

## Auditee's Response

*The Prosecuting Attorney provided the following responses:*

3.1 *We do not have enough staff to properly segregate duties. The budget of \$86,000 per year is too small. Starting in May 2012, one clerk prepares the deposits and the monthly report. Another clerk takes the deposits to the bank, prepares the bank reconciliation, and reviews the monthly report.*

3.2 *Starting in April 2012, prenumbered receipt slips are written for every transaction and dated when received.*

3.3 *Starting in April 2012, deposits are made weekly and money orders are kept in a locked box until deposited. Receipts are reconciled to deposits to ensure everything is included.*

3.4 *We are using a dinosaur system (Lotus 97). The Karpel computerized accounting system would fix this situation. However, the county is unwilling to provide the funding for Karpel.*

## 4. Sheriff

Sheriff's office accounting procedures are not sufficient and do not provide assurance that monies collected are accounted for properly. In addition, controls over seized property are not adequate. The Sheriff's office collected various fees related to civil services, mileage, and concealed carry permits totaling approximately \$29,000 annually during the 2 years ended December 31, 2011.

### 4.1 Segregation of duties

The duties of receiving, recording, depositing, and disbursing monies, and reconciling the bank account are not adequately segregated. One clerk is primarily responsible for all of these duties. Although the Sheriff signs the monthly turnover report to the Treasurer, he indicated he does not review the accuracy of the accounting records. As a result, there is less assurance all transactions are accounted for properly and accounting records are complete and accurate.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a





## Ripley County Management Advisory Report - State Auditor's Findings

documented independent or supervisory review to ensure bank records are in agreement with accounting records.

### 4.2 Receipts

The Sheriff's office issues pre-numbered receipt slips for cash receipts and for non-cash receipts when requested by an individual; however, the receipt number is not indicated on the receipt log. All other receipts are recorded on the receipt log; however, receipt slips are not issued. As a result, the Sheriff's office is unable to account for the numerical sequence of receipt slips.

To ensure monies are recorded and accounted for properly, official prenumbered receipt slips should be issued for all monies received with all receipt slip numbers accounted for properly.

### 4.3 Seized property

The seized property and evidence log is not complete or accurate. The log includes items which have been returned to individuals and does not include approximately 25 items seized prior to starting the log in 2003. In addition, the Sheriff's office has not conducted a physical inventory of all seized property. Further, the Sheriff's office has not implemented procedures to periodically review cases and dispose of related seized property items which date back to the 1990s.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. Complete and accurate inventory control records should be maintained and periodic physical inventories should be performed and the results compared to the inventory records to ensure seized property is accounted for properly. In addition, proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper access or use.

## Recommendations

The Sheriff:

- 4.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 4.2 Ensure prenumbered receipt slips are issued for all monies received and the numerical sequence of receipt slips is accounted for properly.
- 4.3 Ensure the inventory control log is complete and accurate. A periodic inventory should be taken and reconciled to the log. In addition, the Sheriff should develop procedures to periodically review cases and dispose of related seized property.



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Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Sheriff provided the following responses:*

- 4.1 *I have started reviewing the accounting records and documenting the review.*
- 4.2 *A pre-numbered receipt book is now being used for all receipts. I will also ensure the numerical sequence of receipt slips is accounted for on a monthly basis.*
- 4.3 *I plan to maintain a complete inventory control log and dispose of applicable seized property by December 2012. I will also ensure annual inventories are taken of seized property.*

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## 5. Capital Assets and Vehicles

Capital asset and vehicle records are in need of improvement. At December 31, 2011, county property, excluding buildings and vehicles, was valued at approximately \$1.2 million on the county insurance policy.

### 5.1 Capital assets

As noted in our prior audit report, procedures and records to account for county property are not adequate. The County Clerk does not regularly update capital asset records for property purchases and dispositions throughout the year. In addition, capital assets are not always numbered, tagged, or otherwise identified as county property.

The County Clerk indicated the overall property records have not been updated since the capital assets statute was changed in 1999. Each department is responsible for performing annual physical inventories and submitting inventory reports to the County Clerk. The County Clerk did not receive the requested annual inventory reports from the Sheriff and County Collector in 2011 and 2010, and she did not perform any follow up to obtain the reports. The inventory reports submitted by other officials lacked some necessary information such as tag numbers, purchase dates, acquisition costs, serial numbers, and disposal information.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur. Physical inventories, proper tagging of county property items, and periodic comparisons of inventories to overall county property records are necessary to evaluate the accuracy of the records, and deter and detect theft.

### 5.2 Vehicle and fuel use

The county has not established effective monitoring procedures for vehicle and fuel use in the Road and Bridge department and the Sheriff's office. The Road and Bridge department and the Sheriff's office spent approximately



## Ripley County Management Advisory Report - State Auditor's Findings

\$158,000 and \$70,000, respectively, on fuel during the 2 years ended December 31, 2011, for the use of 29 Road and Bridge vehicles and equipment and 10 patrol cars.

The Road and Bridge department does not maintain bulk fuel inventory records or logs of fuel dispensed from the bulk fuel tanks, and does not reconcile fuel use to fuel purchased. Although the Sheriff's department maintains mileage and fuel use logs for vehicles, these logs are not used to reconcile to fuel purchased. Employees dispense fuel into Road and Bridge department vehicles from three bulk fuel tanks located at employees' homes throughout the county and patrol cars from one bulk fuel tank located by the Sheriff's office. These bulk fuel tanks are secured by lock.

Maintenance and review of vehicle and equipment mileage/use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases are necessary to ensure vehicles and equipment are properly utilized, to prevent paying vendors for improper billing amounts, and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment use and fuel costs.

Similar conditions  
previously reported

Similar conditions to sections 5.1 and 5.2 were noted in our prior audit report.

## Recommendations

The County Commission:

- 5.1 And the County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement a procedure for tracking and tagging capital asset purchases throughout the year.
- 5.2 Work with the Sheriff to establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use. In addition, bulk fuel inventory records should be maintained, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.

## Auditee's Response

*The County Clerk provided the following written response:*

- 5.1 *I agree, as cited by the Auditors, Section 49.093 RSMo requires each third class county officer, by October 10th of each year, to inspect and inventory all personal property of an individual original value of \$1,000 or more belonging to the county and used by that department, and to issue a report, signed by the County Clerk, to the County Commission. The County Commission and I attempt to*



Ripley County  
Management Advisory Report - State Auditor's Findings

*be proactive in assisting the officeholders in performing this duty by issuing a memorandum in September each year reminding them of the specific statute, the date by which the task is to be performed, instructions for placement of identification on the property, and reminding them that not only is this required by law but it is also helpful for documentation for insurance purposes.*

*Each officeholder is an elected official responsible for the management and operations of his/her office. I have prepared an asset inventory report for each of the 18 years I have been in office. I have no individual control over whether or not other officeholders prepare and submit asset inventory reports; I feel any adverse findings should be directed to those specific officeholders.*

*The County Commission provided the following responses:*

- 5.1 *We agree with the response provided by the County Clerk.*
- 5.2 *The Road and Bridge department only has diesel fuel used for graders and tractors. The County Commission will look into maintaining logs for road and bridge bulk fuel tanks. The County Commission will periodically require the Sheriff to submit documentation for bulk fuel inventory records.*

*The Sheriff provided the following responses:*

- 5.1 *I will turn in an inventory report by December 2012.*
- 5.2 *I have started maintaining bulk fuel inventory records.*

*The County Collector provided the following response:*

- 5.1 *I will look into submitting an annual inventory report.*

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## **6. Leave Policies and Procedures**

The county personnel policy is unclear about when vacation and sick leave is accrued by county employees. The County Clerk posts vacation leave to leave records on each employee's anniversary date (after the year has been worked); however, employees are allowed to take leave as though it was accrued on a monthly basis. As a result, negative leave balances were reported on the leave records for four of the Sheriff's office and Road and Bridge employees. One employee's vacation leave balance was reflected as a negative 63 hours although it would have been a positive 80 hours if the leave had been posted to the records on a monthly basis.

Sick leave for the entire year is posted to the leave records at the beginning of each fiscal year; however, the county considers sick leave to accrue on a



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Ripley County  
Management Advisory Report - State Auditor's Findings

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monthly basis. If an employee uses sick leave before it has been earned and terminates employment with the county, the County Clerk determines the amount of sick leave earned on a monthly basis and reduces the final paycheck for the amount overpaid.

The County Commission should revise the personnel policy manual to clearly indicate the county's procedures for accruing vacation and sick leave. To ensure employees receive leave benefits only as allowed by policy, leave should be posted to leave records as it is accrued and employees should not be allowed to carry negative leave balances.

## Recommendation

The County Commission revise the personnel policy manual to adequately document policies and ensure leave is accrued in accordance with these policies.

## Auditee's Response

*The County Commission provided the following response:*

*We concur. We will review policies and procedures for leave.*

# Ripley County

## Organization and Statistical Information

Ripley County is a county-organized, third-class county. The county seat is Doniphan.

Ripley County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 43 full-time employees and 2 part-time employees on December 31, 2011.

In addition, county operations include the Senate Bill 40 Board, Senior Citizen Board, and Law Enforcement Restitution Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
William D. Kennon Jr., Presiding Commissioner	\$	27,186
David (Earl) Johnson, Associate Commissioner		25,186
Jerry Halley, Associate Commissioner		25,186
June Watson, Recorder of Deeds		38,160
Becky York, County Clerk		38,160
Monte Phillips, Prosecuting Attorney		45,580
Ron Barnett, Sheriff		42,400
Terry L. Slayton, County Treasurer		38,160
Mike Jackson, County Coroner		10,600
John Young, Public Administrator (1)		1,104
Brenda Emmons-Thompson, Public Administrator (1)		20,979
Jerry Martin, County Collector (2), year ended February 28 (29),	41,819	
Jan Spencer, County Assessor , year ended August 31,		36,040
William (Troy) Ayers, County Surveyor (3)		

(1) Brenda Emmons-Thompson resigned in October 2011. John Young was appointed by the Governor in December 2011.

(2) Includes \$3,659 of commissions earned for collecting city and drainage property taxes.

(3) Compensation on a fee basis.



Ripley County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)(Federal  
Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011:

A \$42,819 Recovery Act: Homelessness Prevention and Rapid Re-housing grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services to help families and individuals who are at risk of becoming homeless and those experiencing homelessness who need temporary assistance obtaining and retaining housing. The county passed these monies through to Ripley County Family Resource Center.



# Thomas A. Schweich

Missouri State Auditor

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## Ralls County



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June 2012

Report No. 2012-52

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<http://auditor.mo.gov>





**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Ralls County

### Sheriff Controls and Procedures

The Sheriff's office needs to improve receipting procedures. From July 2010 through November 2010, receipt slips were not issued and the receipt ledger was not updated. The method of payment is not always indicated on receipt slips, the composition of receipts is not reconciled to the composition of deposits, the numerical sequence of receipts slips is not accounted for properly, and checks are not restrictively endorsed immediately. Bond monies are frequently transmitted to the court without going through normal receipt and disbursement procedures. The Sheriff's office did not perform bank reconciliations timely, and did not identify liabilities to be reconciled to the available cash balance. The Sheriff's office did not always disburse fees collected to the County Treasurer timely. The county does not have written contracts with the counties which board its prisoners, and the Sheriff's office does not reconcile the bills received for these services to ensure amounts paid are accurate. The Sheriff's office does not maintain records of accrued mileage fees billed for serving civil papers.

### Property Taxes

As noted in our prior audit report, the county needs to improve controls and procedures over the property tax system. Procedures over property tax additions and abatements are not properly segregated or monitored. Neither the County Commission nor the County Clerk reviews the activities of the County Collector to ensure the accuracy and completeness of the County Collector's monthly and annual settlements.

### Prosecuting Attorney Compensation

Section 56.070, RSMo, states the Prosecuting Attorney shall represent the county in all matters of law and give his opinion, without a fee, in matters of law in which the county is interested, but the county pays the Prosecuting Attorney \$14,400 annually in additional compensation to consult for the Planning and Zoning Commission.

### Payroll

The county does not maintain centralized records of leave balances and leave used and earned, and one employee had accumulated over 70 hours of compensatory in 2010 when county policy only allowed for a maximum of 16. The Sheriff's office does not calculate compensatory time in accordance with county policy and may be paying more compensatory time than required. The Sheriff's office employees' timesheets are not reviewed or approved, which makes it difficult for the county to support payroll disbursements or to demonstrate compliance with the requirements of the Fair Labor Standards Act of 1938.

Vehicle and Fuel Use	The Road and Bridge department does not maintain bulk fuel inventory records or logs of fuel dispensed from the bulk fuel tanks, and does not reconcile fuel use to fuel purchased. The Sheriff's office does not reconcile fuel logs to fuel purchased and does not review mileage for reasonableness.
Capital Assets	As noted in prior audit reports, the county does not adequately account for capital assets. Property records are not complete and accurate, annual physical inventories are not always completed, and the County Clerk lacks procedures to track property purchased during the year.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	During the audited time period, Ralls County was awarded a \$14,482 Recovery Act: Edward Byrne Memorial Justice Assistance Grant, all of which it expended on a new patrol car.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Ralls County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Ralls County

We have audited certain operations of Ralls County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Ralls County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Ralls County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Keriann Wright, MBA, CPA
In-Charge Auditor:	Tina Disney, M.Acct.
Audit Staff:	Emily Bias
	Kaitlyn Boehm
	M. M. Williams

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# Ralls County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Sheriff Controls and Procedures**

Controls and procedures in the Sheriff's office need improvement. The Sheriff's office collected civil fees, bonds, and other miscellaneous fees totaling approximately \$54,000 during the 2 years ended December 31, 2010.

##### **1.1 Receipt records**

Several weaknesses were noted with receipt procedures in the Sheriff's office. From July 2010 through November 2010, receipt slips were not issued and the receipt ledger was not updated for any monies received. In May 2011, the Sheriff's office, with the help of the County Treasurer, entered these receipts into the Sheriff's records; however, without an immediate record of receipt, it is unclear if all monies received during this time period were deposited. In addition, the method of payment is not always indicated on receipt slips, the composition of receipts is not reconciled to the composition of deposits, the numerical sequence of receipt slips is not accounted for properly, and checks are not restrictively endorsed immediately upon receipt. Furthermore, monies were not always deposited intact. Bond monies received are frequently transmitted to the court without going through normal receipt and disbursement procedures.

To ensure all monies received are deposited and to reduce the risk of loss, theft, or misuse of funds, receipts should be restrictively endorsed immediately upon receipt, receipt slips should be issued for all receipts, and receipt records should be updated on a timely basis. In addition, records should indicate the method of payment, the numerical sequence of receipt slips should be accounted for, and the composition of receipts should be reconciled to the composition of deposits.

##### **1.2 Bank reconciliations and liabilities**

Bank reconciliations were not prepared timely for the Sheriff's general bank account. Monthly bank reconciliations for July 2010 through December 2010 were not completed until May 2011. The Sheriff's office discontinued preparing bank reconciliations in July 2010 due to personnel turnover and later enlisted the help of the County Treasurer to complete the outstanding bank reconciliations. In addition, for the same time period, the Sheriff's office did not identify liabilities to be reconciled to the available cash balance. The reconciled bank balance at December 31, 2010, totaled approximately \$7,500. In May 2011, this amount was identified as being owed to the County Treasurer.

The preparation and review of detailed monthly bank reconciliations is necessary to ensure accounting records are in balance and to identify errors in a timely manner. Additionally, liabilities should be identified monthly and reconciled to cash balances to ensure sufficient cash is available for the payment of all amounts due. Any discrepancies should be investigated and appropriate action taken.



## Ralls County Management Advisory Report - State Auditor's Findings

### 1.3 Disbursements

Fees collected by the Sheriff's office were not always disbursed timely. For example, the Sheriff's office collected \$2,372 in December 2010; however, these funds were not disbursed to the County Treasurer until April 29, 2011.

Timely disbursement of fees collected is necessary to provide adequate controls over account balances and increase the likelihood discrepancies are promptly detected. Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.

### 1.4 Board bills

The Sheriff's office does not reconcile bills received for boarding county prisoners to supporting records to ensure bills are accurate before payment is made. In addition, the county did not enter into written contracts for boarding county prisoners with other political subdivisions. Although the county utilized various other counties for boarding prisoners, the majority of boarding costs were paid to two nearby counties. During the years ended December 31, 2010 and 2009, the Sheriff's office paid approximately \$227,000 and \$288,000 in board bills, respectively.

Without reconciling board bills received to supporting records, there is little assurance the amounts billed and paid are accurate. In addition, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. Written contracts are necessary to specify the services to be performed along with the compensation for those services, provide a means for the Sheriff's office to monitor compliance with the contract terms, and protect the county and the Sheriff's office in the event of a dispute over the terms of the agreement.

### 1.5 Mileage fees

The Sheriff's office does not maintain records of accrued mileage fees billed for serving civil papers. The Sheriff indicated he began mailing out initial bills for mileage fees due; however, a list of amounts billed is not maintained and the Sheriff's office does not have follow-up procedures in place to ensure payment is received. Due to a lack of records, the Sheriff's office is unable to provide an estimate of total costs billed or owed.

Failure to adequately monitor and pursue collection of accrued costs results in lost revenue to the county. To ensure mileage fees for serving civil papers are received by the Sheriff's office, the fees should be billed in a timely manner, amounts paid and due should be tracked, and procedures should be implemented to pursue delinquent amounts.

## Recommendations

The Sheriff:

- 1.1 Establish procedures to ensure checks/money orders are restrictively endorsed, receipt slips are issued for all monies upon receipt, and receipt records are updated with complete information in a timely manner. In addition, the Sheriff should account for the numerical



## Ralls County Management Advisory Report - State Auditor's Findings

sequence of receipt slips and reconcile the composition of receipts to deposits.

- 1.2 Prepare bank reconciliations monthly and reconcile bank balances to monthly lists of liabilities ensuring any differences between accounting records and reconciliations are investigated and resolved.
- 1.3 Disburse fees to the County Treasurer on a monthly basis.
- 1.4 Enter into written agreements for boarding county prisoners, and review and reconcile amounts billed to supporting records before payment is made.
- 1.5 Establish procedures to monitor and pursue collection of mileage fees billed.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 1.1 *The past administrations had a confusing way of keeping records with the use of two receipt books that were both used for all receipts at one time or another. One of the receipt books was a generic booklet that can be purchased anywhere with very little information on it. A new receipt system was drafted and specially made for this office that had a column for every type of money that would be taken in and total columns on the bottom. A study was done prior to this to achieve the system that would make it easier for anyone to track monies or receipts taken in. The transition time took several months to implement. During that time period all monies were deposited in a timely manner. The records were completed at a later date and are still accurate. The full-time office position was deleted due to budget concerns, and all of the office duties were spread and assigned to all full-time deputies with the assistance of a few part-time deputies. The civil fees were deposited and recorded by one deputy, another was in-charge of CCW records and the end of the month report was completed by me. This method can track funds by case number and also receipt number. On the new receipt forms a space is provided for the method of payment. The bond monies are now deposited in the Sheriff's office account and then sent to the court. Some of the methods that were done in the past were not brought to my attention in past audits and I was not responsible for or never informed of. At the Sheriff's office, we understand that as a general rule in the future more information is requested for checks and balances and a transition time is needed to provide a new system for this improvement. All monies were deposited and accounted for. Overall, the State needs to recognize that Ralls*





## Ralls County Management Advisory Report - State Auditor's Findings

*County has made great improvements from the past on the same or less funding and will continue in that direction.*

- 1.2 Bank reconciliations have improved since the reconstruction of the office. The bank account not being accurate and being able to zero out each month was another reason for the reconstruction and the request for the assistance of the County Treasurer. The Sheriff's office bank account is a transfer account only and now checks are not written out and disbursed until it is proven and reviewed that fees (CCW, bond, etc.) have been deposited and the correct amount was deposited. There is evidence of the past old system that checks were voided by past personnel because of being made for the incorrect amount.*
- 1.3 The Sheriff's office was behind on some of the fee transfers but has caught up and been current since May 2011. The transfers and records were still accurate and everyone is more familiar and trained on accounting practices.*
- 1.4 The Sheriff's office will work with the County Commission and legal counsel to establish contracts with other counties for holding county prisoners. In addition, prison board bills are checked more closely now. The holding facilities have been asked to fax a daily Ralls County prisoner roster indicating when they were admitted and what the charges are. There has been issues and disputes in the past where the inmates had charges in both counties (meaning Ralls County and the county housing the inmate).*
- 1.5 The Sheriff's office has to my knowledge, in the past, never billed for additional service mileage fees regarding civil process. We have started the process of billing when insufficient mileage fees or no mileage fees are submitted. When this occurs, a numbered invoice is sent back with the return form on civil processes.*

## 2. Property Taxes

As noted in our prior audit report, controls and procedures over the property tax system need improvement. For the 2 years ended February 28, 2011, property taxes collected by the County Collector totaled approximately \$9 million each year.

### 2.1 Additions and abatements

Procedures over property tax additions and abatements are not properly segregated or monitored. During the 2 years ended February 28, 2011, property tax additions and abatements totaled approximately \$1.5 million and \$2.4 million, respectively.

The County Assessor prepares court orders for additions and abatements, the County Commission approves the court orders, the County Assessor



## Ralls County Management Advisory Report - State Auditor's Findings

posts additions and real estate abatements to the property tax system, and the County Collector posts personal property abatements to the property tax system. However, the County Collector also collects taxes owed, approvals are only made on a summary basis, and the County Clerk does not reconcile approved court orders to actual changes made to the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly segregated or monitored, and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, periodic reviews and timely approvals of court orders, along with an independent reconciliation of approved additions and abatements to corrections made to the property tax system, would help ensure changes are proper. Without proper segregation of duties and oversight, there is less assurance errors or irregularities would be detected and/or corrected on a timely basis.

### 2.2 Account book and annual settlements

Neither the County Commission nor the County Clerk reviews the activities of the County Collector. While the County Clerk maintains files of the County Collector's monthly settlements and has access to approved changes to the property tax system, the County Clerk does not use this information to create an account book or other record summarizing property tax transactions and changes. As a result, the County Clerk and the County Commission are unable to ensure the accuracy and completeness of the County Collector's monthly and annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other record which summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, addition and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector each year are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

## Recommendations

- 2.1 The County Commission and the County Clerk ensure procedures are adequately segregated and ensure all property tax additions and abatements are properly approved and monitored.
- 2.2 The County Clerk maintain a complete and accurate account book with the County Collector. In addition, the County Commission and



Ralls County  
Management Advisory Report - State Auditor's Findings

the County Clerk monitor property tax system activities and perform a thorough review of the County Collector's monthly and annual settlements.

## Auditee's Response

*The County Commission provided the following written responses:*

- 2.1 *The County Commission will meet with the County Assessor and County Collector and ask for their cooperation in this matter.*
- 2.2 *The County Clerk is presently keeping the record. The County Commission will review the records periodically.*

*The County Clerk provided the following written responses:*

- 2.1 *I will try.*
- 2.2 *We are keeping a record now.*

## 3. Prosecuting Attorney Compensation

The Prosecuting Attorney received additional compensation for providing consulting services to the county, which is not in compliance with state law. In addition to his salary, the Prosecuting Attorney is paid \$14,400 by the county each year to consult for the Planning and Zoning Commission. According to officials, the Prosecuting Attorney was an outside consultant to the Planning and Zoning Commission prior to being elected to office and continued his consulting services after taking office in 2007. As of December 31, 2011, the county has paid the Prosecuting Attorney \$72,000 for his consulting services since taking office.

Section 56.070, RSMo, states the Prosecuting Attorney shall represent the county in all matters of law and give his opinion, without a fee, in matters of law in which the county is interested. In addition, Attorney General Opinion No. 76, 1961, states a Prosecuting Attorney is not entitled to compensation in addition to the salary he already receives for legal advice given to the county because he is already required by statute to give his opinion on matters of law in which the county is interested.

## Recommendation

The County Commission discontinue paying additional compensation to the Prosecuting Attorney.

## Auditee's Response

*The County Commission provided the following written response:*

*The County Commission will meet with the Prosecuting Attorney and inform him the last compensation for Planning and Zoning will be May 24, 2012.*



Ralls County  
Management Advisory Report - State Auditor's Findings

## 4. Payroll

Payroll controls and procedures need improvement. Although there is an established written personnel manual, not all policies are followed.

### 4.1 Centralized records

Centralized records of leave balances and leave used and earned are not maintained. Employees are responsible for recording and tracking their own leave balances. As a result, accumulated leave was not always in compliance with county policies. For example, one employee accumulated over 70 hours of compensatory time in 2010; however, the employee manual only allows a maximum of 16 hours for non-emergency employees. Without centralized leave records, the County Commission cannot ensure employee vacation, sick, and compensatory leave balances are accurate and in compliance with county policy.

### 4.2 Compensatory time

The Sheriff's office does not calculate compensatory time in accordance with county policy. The Sheriff's office accrues compensatory time when employees work more than 40 hours in a week; however, the county's policy requires employees to work more than 171 hours in a 28 day period before compensatory time is earned. We noted a Sheriff's Deputy earned 45.5 hours of compensatory time from September 2010 through December 2010 based on working more than 40 hours in a week; however, if county policy was followed, compensatory time would not have been earned.

By not following county policy relating to compensatory time, the county may be paying more than required or it could result in a greater financial burden for the county. Although compensatory time is not paid out unless an employee leaves employment, employees are able to use the compensatory time in lieu of accumulated vacation and sick leave.

### 4.3 Timesheets

Timesheets submitted by employees of the Sheriff's office are not reviewed or approved. The Sheriff indicated another office employee reviews the timesheets; however, that employee indicated she was not performing the reviews. Timesheets are necessary to document hours worked, substantiate payroll disbursements, and provide the county with a method to monitor hours worked and leave taken, and are beneficial in demonstrating compliance with the requirements of the Fair Labor Standards Act of 1938. The Sheriff should review and approve all timesheets to ensure accuracy and include documentation of his approval.

## Recommendations

- 4.1 The County Commission maintain centralized leave records for all county employees.
- 4.2 The County Commission and the County Sheriff ensure employees accrue compensatory time in accordance with county policy.
- 4.3 The Sheriff ensure timesheets are reviewed and his approval is adequately documented.



Ralls County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The County Commission provided the following written response:*

4.1&

4.2 *The recommendations were implemented into action in November 2011.*

*The Sheriff provided the following written responses:*

4.2 *The county policy has been changed and is now the same as any other Missouri employee benefits and rights under the Fair Labor Standards Act. The policy was changed from 171 hours in 28 days to paying overtime for any hour worked over 40 hours a week that is the same as any other type of employment. It was argued that a law enforcement officer should not have to work 11 hours without overtime benefits when any factory worker or office clerk would receive this and not be under the stress of emergency situations. The Sheriff's office now only pays overtime and does not allow compensatory time.*

4.3 *An issue that has been corrected is that in the past, monthly timesheets had the hours of work projected for the last week of the month because the timesheet had to be submitted on or about the third week of the month and paid for the whole month. If the deputy was required to work a few hours overtime for the last several days of the month he had to note this on the following month's timesheet because last month was already processed and paid out on the last Monday or Thursday of the month. We have a three step process for timesheet review. The deputy in charge of timesheets reviews them first for any errors, then I review them and last of all the County Clerk's office reviews them.*

## 5. Vehicle and Fuel Use

The county has not established effective monitoring procedures for vehicle and fuel use in the Sheriff's office and the Road and Bridge department. Similar concerns were noted in the Sheriff's office in our prior report. The Sheriff's office and the Road and Bridge department spent approximately \$95,000 and \$258,000, respectively, on fuel during the 2 years ended December 31, 2010, for 9 patrol cars and 15 Road and Bridge vehicles and equipment.

- The Road and Bridge department does not maintain bulk fuel inventory records or logs of fuel dispensed from the bulk fuel tanks, and does not reconcile fuel use to fuel purchased. Department employees dispense fuel into department vehicles and equipment from six bulk fuel tanks located throughout the county (one is located at the department shed and five are located at employee homes). These bulk fuel tanks are secured by lock. Although the county was able to produce fuel logs for six



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Ralls County  
Management Advisory Report - State Auditor's Findings

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department vehicles and equipment items, logs were not maintained at the bulk fuel tanks, and the fuel logs maintained were not used to review fuel and vehicle/equipment use.

- The fuel logs maintained in the Sheriff's office are not reconciled to fuel purchased, and mileage is not reviewed for reasonableness. Employees purchase fuel for patrol cars with fuel purchasing cards, and the county receives a monthly statement for these purchases. Although the Sheriff's office maintains fuel logs in each vehicle on which employees enter the date, vehicle odometer reading, and the number of gallons for each fuel purchase, the logs are not reconciled to fuel purchased or used to review mileage for reasonableness.

Maintenance and review of vehicle and equipment mileage/use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, to prevent paying vendors for improper billing amounts, and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment fuel costs.

## Recommendation

The County Commission and the County Sheriff establish procedures to maintain adequate records to effectively monitor vehicle, equipment, and fuel use. In addition, bulk fuel inventory records should be maintained when applicable, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.

## Auditee's Response

*The County Commission provided the following written response:*

*This was implemented into action as per the Auditor's recommendation with the exception of the Sheriff's vehicles.*

*The County Sheriff provided the following written response:*

*County vehicles are used for duty purposes related to Sheriff's office use only including training and maintenance. The fuel is purchased with a card now that requires the odometer reading to be entered and the driver number. The deputy that sends in the bills reviews the usage and checks for fraud. The billing process also has the location of fuel purchase date and time. The Sheriff's office does not have a bulk fuel tank.*

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## 6. Capital Assets

As similarly noted in our prior audit report, procedures to account for capital assets need improvement. Property records are not complete and accurate, annual physical inventories are not always completed, and the County Clerk does not have any procedures to track property purchased during the year.



## Ralls County Management Advisory Report - State Auditor's Findings

The County Clerk is responsible for maintaining overall county capital asset records, and each department is responsible for performing annual physical inventories and submitting updated asset lists to the County Clerk. Annually, the County Clerk sends each department a memo requesting updated inventory lists; however, lists are not always received from the departments, and the information provided by the departments is not always updated correctly in the overall capital asset records. The Sheriff, Recorder, Prosecuting Attorney, Commission, and Road and Bridge departments did not submit the required inventory lists during 2010, and the County Clerk failed to update the overall capital asset list with the inventory list received from the County Treasurer. In addition, asset lists do not include sufficient details to identify additions; acquisition dates or source; property values; deletions; and method, authorization, and amount received for dispositions.

Furthermore, the County Clerk does not have procedures to track property purchased throughout the year and compare to inventory lists submitted by the various departments. The County Clerk's office issues several property tags to the county departments at one time to be affixed to newly acquired property. However, the County Clerk's office has no way of knowing which tags were used and should be added to the inventory list.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur. Physical inventories, proper tagging of county property items, and periodic comparisons of inventories to overall county property records are necessary to evaluate the accuracy of the records, and deter and detect theft.

## Recommendation

The County Commission and County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking and tagging capital assets purchased throughout the year.

## Auditee's Response

*The County Commission provided the following written response:*

*The County Commission will send out inventory sheets to the other elected officials' offices to be completed, returned, and kept by the County Clerk.*

*The County Clerk provided the following written response:*

*I will try to keep better records of the inventory in other offices. Most of the offices give their inventory now.*

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# Ralls County

## Organization and Statistical Information

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Ralls County is a county-organized, third-class county. The county seat is New London.

Ralls County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 46 full-time employees and 25 part-time employees on December 31, 2010.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
George E. Lane, Presiding Commissioner	\$	29,060
R.C. Harlow, Associate Commissioner		27,060
Steven H. Whitaker, Associate Commissioner		27,060
Gina Jameson, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Ernie Duckworth, County Clerk		40,000
Rodney J. Rodenbaugh, Prosecuting Attorney		47,000
Paul Forney, Sheriff		45,000
Jena L. Epperson, County Treasurer		40,000
Connie Miller, Public Administrator		41,000
Connie L. Berry, County Collector, year ended February 28,	40,000	
Thomas E. Ruhl, County Assessor , year ended August 31,		41,000

(1) Compensation is paid by the state.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A Recovery Act: Edward Byrne Memorial Justice Assistance Grant was awarded by the U.S. Department of Justice to the county in the amount of \$14,482. In July 2010, the county received and expended the entire \$14,482 for the purchase of a new patrol car.





# Thomas A. Schweich

Missouri State Auditor

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## City of Peculiar



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June 2012

Report No. 2012-51

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of the City of Peculiar

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### Utility System Controls and Procedures

The city does not reconcile some utility system monthly reports and could not explain discrepancies. The city was unable to account for a \$1,093 difference in the beginning balance on the July 2011 summary billing register, compared to the ending balance from the previous month's report. In addition, the city could not explain why the total of all utility payments recorded and deposited in July 2011 was \$829 more than the total payments on the monthly payment/credit recap report. The city does not reconcile the list of utility deposits held by the city to the balance of the utility deposits accounts, and the city does not consistently transfer these funds to the Enterprise Fund's collection account when a deposit is applied to a final bill. The city does not conduct a review of the actual adjustments to the utility system after they are made, and the utility clerk who posts the adjustments also proposes the adjustments and collects utility payments. The city should separately account for water, sewer and trash transactions instead of accounting for them all in the Enterprise Fund, so it can ensure that utility receipts are used only to fund operations of the respective utility services and rates are appropriately set to cover all applicable costs. A disconnect report is generated by the utility computer system each month, but this report is not retained or reviewed. The board or an independent person should compare the computerized disconnect report to the list prepared for city workers to ensure all accounts are properly included.

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### Budgets and Financial Reporting

City budgets do not contain all elements required by state law. The city did not approve fourth quarter budget amendments until well after the end of the fiscal year, and it overspent the Road and Street Fund and West Growth Fund budgets during the 2 years ended September 30, 2011. The city is not properly tracking and recording various restricted monies. The city deposits state motor vehicle-related monies and law enforcement training monies into the General Fund and does not track them separately.

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### Payroll Controls and Procedures

The city has not established an ordinance to set the term of office for the City Clerk, as is required by state law. The city currently pays Aldermen \$200 per month and pays the Mayor \$400 per month, but the ordinance has not been updated since 1998 and still indicates that Aldermen are to be paid \$50 per month and the Mayor \$100 per month. The City Clerk received a 4 percent raise (\$1,415) in October 2011, but Section 79.270, RSMo, states that an officer's salary shall not change during his/her term.

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### Park Development and Funding

The city issued certificates of participation to purchase 66 acres of land approximately 10 years ago, but it has done no real work toward developing the land into a park, and the majority of the Park Fund revenue is spent on maintaining existing city parks. The city currently pays \$28,000 per year in interest on the debt, and principal payments will begin in 2019, initially at \$40,000 per year but increasing to \$80,000 per year. The city has no documented plan for how the Park Fund will be able to afford to maintain the existing parks, make required principal and interest payments on the debt, and fund the development of the future park.

Capital Assets	Capital asset records are not complete. Property is no longer tagged for specific identification, and annual physical inventories are not performed.
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In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The City of Peculiar did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# City of Peculiar

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Peculiar, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Peculiar. We have audited certain operations of the city in fulfillment of our duties. The city engaged Troutt, Beeman & Co., P.C., Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended September 30, 2011. To minimize duplication of effort, we reviewed the CPA's audit report. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2011. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Peculiar.

An additional report, No. 2012-14, *Seventeenth Judicial Circuit, City of Peculiar Municipal Division*, was issued in February 2012.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant

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# City of Peculiar

## Management Advisory Report

### State Auditor's Findings

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#### **1. Utility System Controls and Procedures**

Significant weaknesses were identified in control procedures related to the utility system. As a result of these weaknesses, there is less assurance all utility monies have been accounted for properly, utility services have been billed properly, and utility user charges are set at the appropriate level to cover the cost of providing the related services.

##### **1.1 Reconciliations**

The city does not reconcile the ending balance of the summary billing register, plus current month's late charges, to the beginning balance of following month's billing register. We compared the ending balance of the June 2011 summary billing register to the beginning balance on the July 2011 summary billing register and identified discrepancies. After adjusting for known reconciling items, which for July 2011 were late charges, the beginning balance on the July 2011 summary billing register was \$1,093 less than expected. In addition, the city does not compare the total amount received and recorded on daily transaction reports to the monthly payment/credit recap report. We compared the total of all utility payments recorded and deposited for July 2011, approximately \$186,500, to the total shown as received on the payment/credit recap report for July 2011 and found the daily transactions report total was \$829 more than the total payments on the monthly payment/credit recap report. The city is unsure what caused the differences between the various reports. Failure to reconcile reports monthly could result in improper billing amounts to customers and incorrect information in the city's financial statements.

Monthly reconciliations of the summary billing register balances and payment/credit recap reports to daily transaction reports are important to ensure monthly utility billings are accurate and all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis.

##### **1.2 Utility deposits**

A list of utility deposits held by the city is not reconciled monthly to the balance of the utility deposits accounts. As of September 30, 2011, there was a balance of \$230,550 in the utility deposits accounts, but the computer system indicated deposits should be \$191,232. The difference is caused by the city failing to transfer some of the utility deposits to the Enterprise Fund's collection account when a customer deposit is applied to the final bill.

A complete and accurate list of customer deposits should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors and help ensure the city has transferred the appropriate amounts to the collection account.



## City of Peculiar Management Advisory Report - State Auditor's Findings

### 1.3 Adjustments Adjustments

Although the Mayor reviews and approves proposed adjustments to the utility system, a subsequent review of the actual changes made to the utility system is not performed. The utility clerk, who submits the proposed adjustments for approval, also collects utility payments and posts the adjustments to the computer system. To ensure all adjustments are valid and accounted for properly, a subsequent review of all changes made to the utility system by an independent person should be performed and documented.

### 1.4 Utility operations

The city does not maintain separate funds for the financial activity of its water, sewer, and trash operations. Currently, water, sewer, and trash transactions are accounted for in the same fund, the Enterprise Fund. The city does track receipts and most disbursements by activity; however, accumulated balances of the respective utility operations are not accounted for separately.

The utility operations should be separate accounting entities designed to account for specific city activities. Utility receipts should be used only to fund the operations of the respective utility services. Rates for utility services should be set to cover the costs of producing and delivering the service (including administrative costs), repaying debt, if applicable, and repairing and replacing infrastructure.

### 1.5 Disconnect report

The Board or an independent person does not compare the list of delinquent utility accounts prepared by the utility clerk to the computerized disconnect report. While a disconnect report is generated by the utility computer system each month, this report is not retained or reviewed. The utility clerk exports the report to a spreadsheet where the accounts are sorted by address to aid the city workers who turn off the individual meters. The Board or other independent person should compare the computerized disconnect report to the list prepared for city workers and document its approval to provide assurance all accounts were properly included in the disconnect list given to city workers.

## Recommendations

The Board of Aldermen:

- 1.1 Ensure daily collection reports are reconciled to the monthly payment/credit report and the ending balance of the summary billing register is reconciled to the beginning balance on the next summary billing register. Any differences should be followed up on and resolved.
- 1.2 Ensure customer deposits are reconciled to the cash balance and deposits applied to final billings are appropriately transferred to the collection account monthly.





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City of Peculiar  
Management Advisory Report - State Auditor's Findings

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- 1.3 Ensure approved adjustments are compared to actual changes made to the utility system.
- 1.4 Establish separate funds to account for the specific utility operations or maintain records in a manner to account for the receipts, disbursements, and accumulated balances of the separate activities. Additionally, the city should establish the proper balance of the separate funds and maintain the separate balances in the future.
- 1.5 Ensure the disconnect report generated by the computer system is provided to the Board each month. In addition, the Board or an independent person should compare the computerized disconnect report to the list prepared for city workers and document approval.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 1.1 *The City of Peculiar agrees that there should be a concerted effort to ensure all billings are reconciled. The City reconciles daily in the utility department to ensure that all accounts are current. The comparisons in reports that are noted in the Auditor's report are due to system software reports that are not able to grab all data requested. There are a series of reasons, such as deposits, credits, and payment plans that affect these numbers that the staff are well aware of. In addition, payments received in the middle of the night over the internet affect these reports as well. The City is working with the utility software company to come up with a report that will identify these exceptions and collate them in their normal daily report.*
- 1.2 *The City of Peculiar agrees that the deposits should be reconciled. The difference noted in the utility deposits is a simple computer transfer from the deposit fund to the enterprise fund. The Business Office has been making the monthly transfers since October 1, 2011.*
- 1.3 *The City of Peculiar agrees there should be additional control measures to ensure all utility credits given by the Mayor for utility bills are completed as he instructs. The Mayor signs off on all credits individually to ensure that all credits are documented and are on file. Under the recommendation of the State Auditor we will have the Business Office sign off on a monthly credit report generated by the Utility Clerk for a second control measure for the Mayor's approved credits.*
- 1.4 *The City of Peculiar agrees that all appropriate funds should be separated. The City currently tracks all water, sewer and trash*



## City of Peculiar Management Advisory Report - State Auditor's Findings

*funds separately by income and expenditures. The City is able to track all the expenditures and revenues of water, sewer and trash. The problem is in assets and depreciation separation due to prior accounting of bonds and infrastructure constructed in the 1990's that cannot be determined. Those bonds in the 1990's we labeled water/sewer bonds and we cannot determine if funds were separated for those issuances. It would be a guess and possibly inappropriate for us to do so. The City will review those possibilities with the City Controller and City Auditor to allow the Board of Aldermen to determine the possibilities.*

- 1.5 *The City of Peculiar agrees to the additional control measure for the disconnect report. There are very good controls in the Utility Clerk's office as pointed out by the State Auditor and any additional control measures to ensure no theft or misconduct are very important to the City. The Business Office will review those disconnect reports and sign off on those reports as a recommended control measure.*

## 2. Budgets and Financial Reporting

The city does not comply with state law related to budget preparation, budget amendments, published financial statements, or tracking and reporting restricted monies.

### 2.1 Budget preparation

City budgets do not contain all elements required by state law. The budget prepared for the year ended September 30, 2011, did not contain a budget message, beginning available resources and estimated ending available resources, or amounts related to the debt of the city.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. A complete budget should include a budget message, beginning available resources, and a reasonable estimate of the ending available resources.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in informing the public about city operations and current finances.

### 2.2 Overspending budgets and amendments

During the 2 years ended September 30, 2011, the city overspent the Road and Street Fund and West Growth Fund budgets. While budget amendments were approved which included additional appropriations for these two funds, they were approved well after the end of the fiscal year. Budget to actual amounts are monitored regularly by the Board throughout the year and amendments to budgeted amounts are typically prepared quarterly;



## City of Peculiar Management Advisory Report - State Auditor's Findings

however, the fourth quarter amendment each year is not prepared until well after the end of the fiscal year. Certain line item budgeted amounts for other city funds were also amended for both years, but budgets for those funds had not been overspent. The fourth quarter amendment for the year ended September 30, 2011, was approved by the Board of Aldermen on November 21, 2011, while the fourth quarter amendment for the year ended September 30, 2010, was approved on December 7, 2010.

Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

### 2.3 Restricted monies

The city is not properly tracking and recording various restricted monies. For the year ended September 30, 2011, the city received \$100,000 in state motor vehicle-related monies and \$3,800 in law enforcement training monies. Although these monies are restricted for specific purposes and the city has a Street and Road Fund, they were deposited into the General Fund and the related disbursements and balances were not tracked separately. As a result, the city cannot determine at a point in time what portion of the General Fund represents restricted street or training monies.

Article IV, Section 30, Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be disbursed for street related purposes only. Section 488.5336, RSMo, requires law enforcement training fees to be used only for the training of law enforcement officers. Separate accounting of restricted monies is necessary to ensure compliance with state law.

### Recommendations

The Board of Aldermen:

- 2.1 Prepare annual budgets that contain all information as required by state law.
- 2.2 Prepare and approve budget amendments prior to incurring the related expenditures.
- 2.3 Determine the amount of restricted monies in the General Fund, deposit future state motor vehicle-related monies in the appropriate city fund, and establish a separate accounting of law enforcement training monies as required by state law.

### Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 2.1 *The City agrees that all budgets should include beginning available resources and ending available resources. Those budgets should also include debt of the City as well. The City provides that information every month to the Board of Aldermen in their monthly*



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City of Peculiar  
Management Advisory Report - State Auditor's Findings

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*reports. The City Administrator also provides an annual power point presentation that outlines all the previous year's activities and goals for the next fiscal year by the City. We will add those same monthly and annual documents to the annual budget as recommended.*

- 2.2 *The City agrees that there should never be overspending in budgets and the City does not condone it nor does it feel it has by definition. The State Auditor's recommendation is more a procedural issue than a fiscal issue. The City sees this as an easy procedural issue to meet the recommendation of the State Auditor. All funds were accounted for and budget amendments were completed by the Board of Aldermen at their scheduled four amendment meetings of the year. The City will now include the budget amendment with actions of the Board of Aldermen at the time they vote to fund a project as condoned by the State Auditor. Over the past 4 years and currently the revenues are identified properly in the budget as available funds before the Board of Aldermen vote to fund a project. To meet the procedure challenges pointed out; when the Board of Aldermen decide to expend funds for a project budgeted in their revenue; there will be budget amendment language injected in to the resolution or ordinance at that time they are approving the Capital project. We will not wait until the normally scheduled budget amendment session to reflect Board of Aldermen actions.*
- 2.3 *The City agrees that the proper tracking and recording in restricted funds should be completed. The two funds identified by the State Auditor are completed and tracked separately since October 1, 2011.*

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### **3. Payroll Controls and Procedures**

The city has not established an ordinance to set the term of office for the City Clerk as required by state law and the ordinance establishing the salaries for the Board of Aldermen and Mayor have not been updated since 1998. Current pay is \$200 per month for Aldermen and \$400 per month for the Mayor, while the most recently updated ordinance indicates the pay for Aldermen is \$50 per month and the Mayor is to be paid \$100 per month. In addition, the City Clerk received a 4 percent raise (\$1,415 annually) in October 2011, which appears questionable since officers are not allowed by law to receive a raise during their term of office.

Section 79.320, RSMo, requires the duties and term of office be established by ordinance for the City Clerk. Establishing ordinances to set compensation rates and terms of office, in addition to meeting statutory requirements, documents the approved amounts to be paid and eliminates misunderstandings. Also, Section 79.270, RSMo, provides, "...the salary of an officer shall not be changed during the time for which he was elected or



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City of Peculiar  
Management Advisory Report - State Auditor's Findings

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appointed." Thus, the term of office is significant in determining when pay increases are allowable under state law.

## Recommendation

The Board of Aldermen ensure ordinances are updated to establish current compensation for the Mayor and Board of Aldermen, and establish a term and compensation for the City Clerk. In addition, the Board should re-evaluate the propriety of the raise given to the City Clerk.

## Auditee's Response

*The Board of Aldermen provided the following written response:*

*The City Attorney has again reviewed RSMO 79.320 and 79.270. He agrees the duties and length of term of office of the City Clerk must be established by city ordinance. The City Attorney will propose a new ordinance that establishes a term of office and rate of compensation for the City Clerk. The new ordinance will also update the duties and responsibilities of the City Clerk. The Auditor's Report notes the existing ordinance that establishes the rate of compensation for the Board of Aldermen and the Mayor is different than the current level of compensation. The City agrees that the old ordinances need to be revised to become consistent with the current rate of compensation and has directed the City Attorney to prepare such an ordinance. These ordinances will be updated by June 2012.*

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## 4. Park Development and Funding

The Park Board and Board of Aldermen have not adequately documented plans for the payment of bonds related to the purchase of undeveloped park land or the funding of the improvements planned for the park. In 2002, the city purchased 66 acres to be developed into a park and issued certificates of participation (COPS). The city provided no documentation of cost estimates for the development of the new park or benchmark dates for starting the development, and have done no real work to this point to develop the park. Also, a park sales tax was passed in 2002, which generates approximately \$140,000 annually, and in 2007, the city issued refunding COPS totaling \$635,000 with a lower interest rate to pay off the 2002 series COPS.

Interest payments on the debt are currently \$28,000 annually and the majority of the remaining Park Fund revenue is spent to maintain the six existing city parks. Principal payments on the debt will start in 2019 and will initially be \$40,000 annually and eventually increase to \$80,000 annually. The Park Fund cash balance was approximately \$289,000 at September 30, 2011. There is currently no timetable for when the development of the new park will begin. While a master plan for the park was developed in 2009 and posted to the city website, this plan is simply an architect's drawing of the proposed park.

It is unclear how the Park Fund will have sufficient monies available to make required principal and interest payments on the existing debt, pay for maintaining the existing parks, and provide the monies necessary to fund the



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City of Peculiar  
Management Advisory Report - State Auditor's Findings

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master plan for the future park. We did not identify any significant discussions regarding these issues while reviewing the minutes of the Park Board or Board of Aldermen for 2011 and 2010.

When undertaking a significant capital improvement project, it is imperative that the Board of Aldermen carefully evaluate funding sources to ensure completion of the project. Discussions and decisions should be clearly and publicly documented to ensure citizens are fully informed on how tax dollars will be spent.

## Recommendation

The Board of Aldermen should perform long-term planning related to this capital improvement project and ensure future discussion and decisions are adequately documented.

## Auditee's Response

*The Board of Aldermen provided the following written response:*

*The Park Board is working on a series of plans for the new park identified by the State Auditor. The City agrees that there is not enough sales tax that comes in to complete all the plans desired by the Park Board, plus maintain the current parks. The Board of Aldermen will wait for the plans recommended by the Park Board, which are planned for this fall. Once those plans are received the Board of Aldermen is hopeful that it will be very creative and will review the fiscal ability of such plans.*

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## 5. Capital Assets

Capital asset records are not complete. The records have only been updated for the public works department and the police department since 2007 and do not include all necessary information such as acquisition cost. Also, property is no longer tagged for specific identification, and an annual physical inventory is not performed.

Adequate capital asset records are necessary to secure better internal control over city property and provide a basis for determining proper insurance coverage on city property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as acquisition cost, descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the city should conduct annual physical inventories and compare the results to detailed records.

## Recommendation

The Board of Aldermen ensure complete and detailed capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records.



City of Peculiar  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Board of Aldermen provided the following written response:*

*The City agrees that all capital asset records must be maintained and annually updated. The capital asset records are on track to be finalized by the end of 2012. Currently the two largest departments, Public Works and the Police Department have a current and maintained capital asset list. These lists with the other departments will be merged into a bar code computerized asset list to be maintained and easily updated. Over the past 5 years we believe the City has accomplished significant improvements in many areas of City operations, while dealing with an economic recession, and we will continue to provide great services to our citizens in the future.*

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# City of Peculiar

## Organization and Statistical Information

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The City of Peculiar is located in Cass County. The city was incorporated in 1953 and is currently a fourth-class city. The city employed 25 full-time employees and 6 part-time employees on September 30, 2011.

City operations include law enforcement services, utilities (water/sewer/trash), recreational facilities (parks), and street maintenance.

### Mayor and Board of Aldermen

The city government consists of a mayor and six-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at September 30, 2011, are identified below. The Mayor is paid \$400 per month and members of the Board of Aldermen are paid \$200 per month.

Ernest Jungmeyer, Mayor  
Homer Dunsworth, First Ward Alderman  
Veronika Ray, First Ward Alderman  
Holly Stark, Second Ward Alderman  
Donald Turner, Second Ward Alderman  
Jim Antonides, Third Ward Alderman  
Bob Fines, Third Ward Alderman

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

City of Peculiar did not receive any federal stimulus monies during the year ended September 30, 2011.





# Thomas A. Schweich

Missouri State Auditor

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## City of Forsyth



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June 2012

Report No. 2012-50

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of the City of Forsyth

Financial Condition	The General Fund balance decreased by 55 percent during the 3 years ended August 31, 2011, and the Board of Aldermen failed to monitor the budget and cash balances. In 2007, the city purchased property to construct a community center with a safe room, but the related bond issue failed and the city has no alternative means to finance this project. The land has not been developed and remains vacant.
Real Estate Purchases	The city spent \$160,000 to purchase property in October 2008, but all it needed was an easement for a road. Moreover, the city did not have a funding source in place to construct the road, and the road has not yet been built. The city rents the house on the property for \$700 per month, but it incurred over \$8,000 in additional expenses to do so. The city financed the purchase even though it had the funds necessary to buy it, and as of October 2011, the city has paid more than \$24,000 in interest costs.
Restricted Revenues	State motor vehicle-related revenues, Police Officer Standards Training (POST) fees, and Law Enforcement Training (LET) fees are deposited into the General Fund, and the city does not track the balance of state motor vehicle related revenues or the revenues and expenditures for POST and LET fees. As a result, the city cannot determine what portion of the General Fund represents restricted street or training monies. Salaries of employees who perform multiple functions are allocated among restricted funds without supporting documentation, and some debt service payments allocated to the Park Fund should be allocated to the utility funds.
Utility Controls and Procedures	The gallons of water pumped exceeded gallons billed by approximately 900,000 gallons (11 percent) in June 2011 and by approximately 2.8 million gallons (28 percent) in August 2011, but no investigation was conducted to determine if these differences were due to unauthorized use or leaks. The city has not performed monthly reconciliations of total amounts billed, payments received, and the amount unpaid for utility services since May 2011, making it more difficult to ensure transactions are properly recorded and errors and discrepancies are detected. The City Clerk and Utility clerk write-off amounts they determine to be uncollectible, and the same Utility Clerk prepares utility bills and authorizes and posts adjustments to customer accounts. Utility deposits for new customers are not reconciled to the deposit payable balance in the general ledger, and the ledger balance is \$2,601 less than the list of utility deposits. The list of deposits was incomplete and inaccurate. The city does not consistently require deposits for vacant rental properties, and the city does not properly assess penalties on delinquent water accounts.
Accounting Controls and Procedures	Receipt slips are not issued for some monies, the method of payment is not always documented for utility payments and park fees, checks are not restrictively endorsed immediately, some fees are not posted to the utility system, and receipts are not always deposited timely and intact. Business licenses are not pre-numbered or reconciled to fees collected and deposited,

and receipt slips are not issued for these monies. The City Clerk does not prepare complete bank reconciliations.

Expenditures	The city did not follow its bid policy for several purchases. The list of bills approved by the Board each month is not complete, and no reconciliation of this list to approved invoices and actual checks written is performed. The Board does not review or approve transfers between restricted funds or transfers between bank accounts. The Fire Chief was paid \$1,158 in additional compensation for responding to fires during the 2011 calendar year with no explanation as to why responding was not within his normal job duties. The City Attorney was paid \$150 per hour for a special project, but city ordinance only authorizes \$100 per hour, and invoices totaling \$2,800 for additional work during fiscal year 2011 did not contain sufficient detail. The city did not maintain adequate supporting documentation for some credit card transactions.
Payroll Controls and Procedures	The city paid the former Police Chief \$12,600 for consulting services in 2011 without timesheets or other supporting documentation. Employee timesheets are not always reviewed or signed by supervisors to ensure accuracy. Compensatory time records maintained by the City Clerk are not accurate, and leave balances were understated by a total 105 hours.
Budgets and Ordinances	City budgets are missing elements required by state law. The Board of Aldermen does not adequately monitor budget to actual revenues and expenditures, and the Water and Sewer Fund expenditures for the year ended August 31, 2011, exceeded budgeted appropriations by \$123,322, despite more than \$130,000 in late budget amendments. The city has not adopted ordinances to establish the specific compensation of the city Prosecuting Attorney and the Municipal Judge as required by state law.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The City of Forsyth did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# City of Forsyth

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Forsyth, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Forsyth. We have audited certain operations of the city in fulfillment of our duties. The city engaged Decker & DeGood, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended August 31, 2011. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended August 31, 2011. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Forsyth.

An additional report, No. 2012-15, *Thirty-Eighth Judicial Circuit, City of Forsyth Municipal Division*, was issued in February 2012.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Natalie B. McNish, CGAP
Audit Staff:	David Olson

# City of Forsyth

## Management Advisory Report

### State Auditor's Findings

#### 1. Financial Condition

The General Fund is in poor financial condition, and the Board of Aldermen failed to monitor the budget and cash balances. The General Fund balance decreased by 55 percent during the 3 years ended August 31, 2011.

	Year ended August 31,		
	2011	2010	2009
Beginning fund balance	\$ 164,426	285,764	329,578
Revenues	951,668	882,277	896,370
Expenditures	(1,007,577)	(1,003,615)	(1,100,184)
Other financing sources	40,383	0	160,000
Ending fund balance	\$ 148,900	164,426	285,764

Information was obtained from independent audit reports.

In addition, a significant portion of the remaining General Fund balance is restricted as noted below:

	General Fund
Ending fund balance	\$ 148,900
Restricted park sales tax monies	(13,319)
Due to utility funds	(4,167)
Restricted donation	(61,766)
Restricted proceeds from land sale	(11,000)
Unrestricted ending fund balance	\$ 58,648

In April 2011, the city installed a new accounting system and failed to record \$4,167 due to the utility funds from the General Fund. Also, in 2005, the city received a donation of \$146,000. The city used a large portion of these funds to construct a new fire house, and in July 2007, the Board voted to restrict use of the remaining funds for development of new parks and ball fields (\$61,766). The Board also passed Ordinance No. 433 in August 2010, restricting the proceeds from the sale of park land (\$11,000) to make capital improvements to the new park. In addition, restricted street revenues and police training fees maintained in the General Fund are not properly tracked and the portion of the balance related to these monies is unknown (see MAR finding number 3).

#### Financial information

While the Board receives a list of bank balances (including restricted balances), a balance sheet, a budget report comparing budgeted expenditures to actual expenditures, and an income statement, the Board is not using the available information to monitor cash balances and the financial condition of city funds. In addition, annual budgets are not accurate, and the Board does not approve all expenditures and transfers of the city (See MAR finding numbers 6 and 8).



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City of Forsyth  
Management Advisory Report - State Auditor's Findings

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Property purchase

In 2007, the city spent \$28,500 from the General Fund to purchase property adjacent to City Hall. While the city planned to construct a community center with a safe room, the related bond issue failed, and the city was unable to obtain grant funding for the safe room. The city has no alternative means to finance this project, and the land has not been developed and remains vacant.

It is essential the Board address the financial condition of the General Fund both in the immediate- and long-term future. To improve the financial condition, the Board should review expenditures and reduce spending as much as possible, evaluate controls and management practices to ensure efficient and appropriate use of city resources, and attempt to maximize all sources of revenue. In addition, to effectively monitor the available resources and financial condition of each fund, the city needs complete and accurate financial reports and budgets.

Recommendation

The Board of Aldermen closely monitor and take the necessary steps to improve the financial condition of the General Fund. The Board should perform immediate- and long-term planning and ensure revenues are maximized and expenditures are closely monitored. The Board should also require accurate budgets and lists of expenditures be prepared for its review, and the Board should develop plans for utilization of the property purchased.

Auditee's Response

*The Board of Aldermen provided the following written response:*

*The Board is well aware of the city's financial condition and has been taking steps to improve it. We have established an Enhanced Enterprise Zone to attract new business and encourage existing employers to expand. We have been taking a proactive approach to expenses, reducing them where possible without compromising staff or public safety. We now operate with two fewer staff yet still deliver expected services, albeit at less levels of service than before.*

*In 2010, the new Mayor and Board saw the negative \$120,000 drain on reserves and immediately took steps to address it. The subsequent year the drain on reserves was only \$16,000. We feel we accomplished much in that year considering the poor state of the economy and other negative factors. This year we predict we will be back in the black, even with the unexpected cost of this audit. We accomplished this through better management of expenses and employed competitive bid processes to lower ongoing costs such as insurance. We continue to monitor expenses and take advantage of grants to bring the General Fund and its reserves back to where it needs to be.*





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City of Forsyth  
Management Advisory Report - State Auditor's Findings

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*The land you mention was purchased in 2007 for possible expansion of city hall. The selling price was very attractive and the only one that would permit the city to expand facilities in the future. We included the land in the community center/safe room grant proposal because it was an owned asset and offered in-kind match opportunities, freeing scarce cash for other expenses.*

*The Board will continue to make the hard decisions necessary to improve the city's financial condition. The \$4,167 has been transferred from the General Fund to the Water and Sewer Fund.*

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## **2. Real Estate Purchases**

The city incurred unnecessary costs by purchasing unneeded real estate in October 2008. The city indicated the property was purchased at a cost of \$160,000 to obtain an easement for a future road. However, it is unclear why the city purchased the entire property (including a house) instead of just obtaining the needed easement. In addition, the city did not have a funding source in place to construct the road, and as a result, the road has not been constructed. City officials indicated the plan was to resell the house and remaining property not needed for the easement. In November 2008, the city advertised for bids to sell the remaining property; however, no bids were received. According to the December 15, 2008, meeting minutes, the city placed a "For Sale" sign in the yard, and the Board approved an asking price for the property of \$125,000. When the city was unable to sell the property, the city decided to rent the house. During 2009, the city spent approximately \$2,700 to remodel the house, and in May 2010, the city entered into a rental agreement with an individual for \$700 per month. This rental agreement was renewed in January 2012. The city incurred an additional \$3,085 to replace the furnace in November 2010, approximately \$1,900 for utilities from November 2008 to May 2010, and approximately \$600 for insurance from 2008 to 2011. The city received \$15,400 in rent from June 2010 to February 2012.

It is also unclear why the city entered into the initial loan agreement and continued to extend the loan when the city had adequate resources to purchase the property. In October 2008, the city entered into a loan agreement with a local bank for \$160,000 due in October 2009. The city renewed the loan agreement in October 2009 and again in October 2010. In April 2011, the city made a principal payment totaling \$8,044 and entered into another loan agreement for \$151,956 due in October 2011. In October 2011, the city made a principal payment totaling \$5,000 and entered into another loan agreement for \$146,956 due in October 2012. The interest rate charged on these loans was approximately 5 percent, and the city has incurred interest costs totaling \$24,084 as of October 2011. The city made these principal and interest payments from the Capital Improvement Sales Tax (CIST) Fund, and the CIST fund balances were greater than \$220,000 as of August 31 each year.



City of Forsyth  
Management Advisory Report - State Auditor's Findings

To ensure efficient and effective use of city resources, projects should be adequately planned including appropriate financing for the projects.

## Recommendation

The Board of Aldermen develop plans for the utilization of the property purchased and ensure associated costs are considered. The Board should also better plan future real estate purchases and projects.

## Auditee's Response

*The Board of Aldermen provided the following written response:*

*The Board inherited the house issue and also question the soundness of the decision. As you stated, we initially tried to dispose of the asset but the housing market downturn made that action financially unfeasible. We have discussed this issue a number of times since then. The housing market continues to be very soft with high inventory levels in the area. We lease the house to minimize the exposure until the housing market rebounds. We will continue to make principal payments until the obligation is paid in full. We are as anxious as you to relieve ourselves of this asset.*

## 3. Restricted Revenues

The city has not established adequate procedures to ensure restricted monies are expended only for intended purposes, and salaries and other expenditures are properly allocated among funds.

### 3.1 Tracking and recording restricted revenues

The city is not properly tracking and recording various restricted monies. State motor vehicle-related revenues, and Police Officer Standards Training (POST) and Law Enforcement Training (LET) fees are not accounted for properly. These monies are deposited into the General Fund and while revenues and expenditures are tracked for motor vehicle-related revenues, the balances of these restricted monies are not. The city does not track the revenues and expenditures for POST and LET fees. As a result, the city cannot determine at a point in time what portion of the General Fund represents restricted street or training monies.

Article IV, Section 30, Missouri Constitution, requires motor vehicle-related revenues apportioned by the state of Missouri be expended for street related purposes only. Section 488.5336.2, RSMo, requires POST and LET fees be used only for the training of law enforcement officers.

### 3.2 Allocation of salaries and expenditures

Documentation does not exist to support the allocation of some expenditures to city funds.

- Salaries of employees who perform multiple functions are allocated among restricted funds, and no documented calculation or tracking of time has been completed to justify these allocations. During the year ended August 31, 2011, the salaries and benefits of all police department employees, the City Clerk, and the Building Inspector were



## City of Forsyth Management Advisory Report - State Auditor's Findings

allocated 85 percent to the General Fund and 15 percent to the Park Fund.

According to the Police Chief, during the summer months a full-time officer is assigned to the park areas; however, during the winter months only periodic patrols of the park areas are conducted. Also, while the City Clerk has many duties related to the utility department, her salary was not allocated to these funds. Additionally, the Building Inspector indicated he performs no duties related to the operation of city parks. Further, while the Utility Clerk/Court Clerk and Assistant City Clerk salaries were allocated entirely to the utility funds, both clerks perform duties related to the general operation of the city, and the Assistant City Clerk performs some duties related to the park.

- The city had no documentation to support the allocation of some debt service payments. Currently, the city allocates all debt service payments to the Park Fund; however, the debt payments are associated with property purchased in 2003 costing \$860,000, which was used as a park and for water and sewer facilities. City records indicate the cost of the park property was \$400,000 and the cost of the water and sewer facilities property was \$460,000. In 2005, the city sold the water facility property for \$345,000 and used the proceeds from the sale to pay a portion of the debt. However, a portion of the remaining debt is associated to the sewer facility property and should be properly allocated to the utility funds.

To ensure restricted funds are used for intended purposes, the city should allocate expenditures to city funds based on specific criteria, such as the number of hours worked by each employee and the portion of debt incurred related to restricted assets, and retain documentation to support these allocations.

## Recommendations

The Board of Aldermen:

- 3.1 Determine the amount of restricted monies in the General Fund and establish separate funds or a separate accounting of these monies as required by state law.
- 3.2 Ensure salaries and other expenditures are properly allocated to the applicable city funds and allocations are supported by adequate documentation.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 3.1 *Training in the law enforcement budget is all POST certified. The officers receive continuing education credits for this training. There*



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City of Forsyth  
Management Advisory Report - State Auditor's Findings

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*is a separate street department within the General Fund budget. As we fully implement our computer system, we will have the controls necessary to better manage restricted funds. Expenditure accounts for all restricted funds will be established to track restricted street and training monies.*

- 3.2 *We are currently monitoring the amount of staff time spent in the different areas. Our preliminary assessment of park shows that overall the amount charged is appropriate, but individual allocations need to be adjusted. For example, only one FTE is charged from public works, yet just over 2 FTEs are needed to maintain the park. Police charges .9 FTEs with about .5 to .6 being spent. We will continue to fine-tune the allocations to ensure they reflect actual time spent.*

*We have considered your suggestion on the debt service allocation on the Shoals Bend Property. This agreement was entered in 2003 and only has 4 years remaining. Rather than change practice at this late date, we choose to finish out the remaining 4 years on the same basis.*

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## **4. Utility Controls and Procedures**

Significant weaknesses were identified in control procedures related to the utility system. As a result of these weaknesses, there is less assurance all utility monies are accounted for properly, and utility user charges are set at the appropriate level to cover the cost of providing the related services. Per the independent audit report, the utility system operating revenues totaled over \$700,000 for the year ended August 31, 2011.

### **4.1 Water usage**

The city does not typically reconcile gallons of water billed to customers to gallons of water pumped each month, and significant differences are not investigated. In addition, city water usage is not tracked, and without this information the city cannot properly perform the reconciliation. During the year ended August 31, 2011, the city only performed reconciliations for the months of June and August. Water pumped exceeded water billed by approximately 900,000 gallons (11 percent) and 2.8 million gallons (28 percent) during June and August 2011, respectively. As a result of not investigating these differences, unauthorized use could occur and not be billed and leaks may go undetected.

Tracking city water usage and investigating significant differences between water billed and water pumped is necessary to help detect significant water loss on a timely basis and ensure water usage is properly billed. According



## City of Forsyth Management Advisory Report - State Auditor's Findings

to the U.S. Environmental Protection Agency, the water industry goal for unaccounted for water is 10 percent or less.<sup>1</sup>

### 4.2 Reconciliations

The city has not performed monthly reconciliations of total amounts billed, payments received, and the amount unpaid for utility services since the implementation of the new utility and accounting system in May 2011. Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected on a timely basis.

### 4.3 Adjustments

Independent approval is not obtained and documented for adjustments posted to the utility system, and the justification and reasons for the adjustments are not adequately documented. The City Clerk and Utility Clerk review amounts due each year and write off account balances determined uncollectible. In addition, adjustments to utility customer accounts are authorized by the Utility Clerk, who also prepares utility bills and posts adjustments to utility accounts. Utility adjustments (including write offs) for the year ended August 31, 2011, totaled \$11,402.

Proper authorization and adequate documentation, which fully explain the reason for adjustments to customer accounts, are necessary to ensure only the proper accounts and amounts are adjusted and to reduce the risk of theft, loss, or misuse of funds.

### 4.4 Utility deposits

Controls and procedures over utility deposits need improvement. New customers are required by Ordinance No. 381 to pay a refundable deposit before receiving utility service. Deposits are to be refunded after utility service is terminated by the customer and the balance due has been paid in full or applied to accounts with balances due.

- Utility deposits posted to customer accounts in the utility system are not reconciled to the deposit payable balance in the general ledger. As of October 31, 2011, the list of utility deposits from the utility system totaled \$51,533 and the deposit payable balance in the general ledger totaled \$48,932, resulting in a difference of \$2,601.
- The list of utility deposits from the utility system was incomplete and inaccurate. At least seven utility deposits totaling \$310 were not posted to the utility system, and 52 deposits totaling \$2,510 had already been refunded, but were not removed from the utility system.
- Deposits totaling at least \$3,945 were held on 105 accounts no longer receiving utility services. Of these deposits, 92 totaling \$3,245 should

<sup>1</sup> <http://www.epa.gov/watersense/pubs/utilities.html>, Last updated on Monday, October 10, 2011.



## City of Forsyth Management Advisory Report - State Auditor's Findings

be refunded and 13 totaling \$700 should be applied to outstanding account balances.

- The city does not consistently require deposits from owners of rental properties when the rental property is vacant, but utility services are still used. For example, an owner of several rental properties had eight accounts in which the properties were vacant, but only two deposits were on file and those deposits were applied to other accounts in which a tenant had also provided a deposit.

Monthly reconciliations of the list of utility deposits to the utility deposit payable balance are necessary to ensure deposits are properly recorded in both the customer accounts and the general ledger. Any discrepancies should be promptly investigated and resolved. To comply with city ordinance, the city should ensure deposits are refunded or applied to accounts no longer receiving utility services. To ensure deposits on rental properties are handled consistently, the city should require deposits for all active accounts.

### 4.5 Delinquent accounts

Penalties are not properly assessed on delinquent water accounts. City Ordinance No. 238 states any payment not received by the 20th day of the month after the water billing is delinquent. A late penalty of 5 percent of the bill is to be added to each delinquent bill; however, this penalty was not charged.

## Recommendations

The Board of Aldermen:

- 4.1 Investigate significant differences between gallons of water pumped and gallons of water billed and track city usage on a monthly basis.
- 4.2 Ensure monthly reconciliations of amounts billed to amounts collected and delinquent accounts are performed. In addition, the Board should ensure adequate documentation to support reconciliations is retained.
- 4.3 Require an independent review and approval of all utility system adjustments and ensure adequate documentation is retained to support such adjustments.
- 4.4 Ensure a complete list of utility deposits is prepared monthly and reconciled to the utility deposit payable balance. Any discrepancies should be investigated and resolved. The Board should also ensure deposits are refunded or applied to balances due in accordance with city ordinance and require deposits for all active accounts.



City of Forsyth  
Management Advisory Report - State Auditor's Findings

- 4.5 Ensure penalties are assessed on delinquent water accounts in accordance with city ordinance.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 4.1 *The meters at city-owned properties are now being read monthly and water loss is monitored on a monthly schedule.*
- 4.2 *The city has instituted a new reconciliation procedure to correct this problem.*
- 4.3 *A request form for all adjustments has been developed which requires the signature of the person making the request. This is reviewed by a supervisor for recommendations and forwarded to the Mayor and the Board of Aldermen for approval.*
- 4.4 *When the old system was converted to the new system, it was noted by staff that numerous water deposits needed to be applied to final bills or refunded. This issue is being worked with old deposits being returned or where necessary, sent to State Unclaimed Property. Deposits are monitored monthly. The new software system applies the deposit to the account and refunds the balance when the account is closed.*
- 4.5 *An ordinance was revised earlier in the year. The new computer billing system has now been implemented so penalties are applied to appropriate accounts.*

## 5. Accounting Controls and Procedures

Accounting controls and procedures need improvement.

### 5.1 Receipting, posting, and depositing procedures

We noted the following areas of concern related to receipting, posting, and depositing:

- Receipt slips are not issued for some monies received at city hall.
- The method of payment and actual amount received is not always documented on utility stubs used to receipt utility payments.
- The method of payment is not documented on receipt slips issued by the park attendant for park fees.
- Checks are not always restrictively endorsed upon receipt.



## City of Forsyth Management Advisory Report - State Auditor's Findings

- Utility shutoff, turn on, and certified mail fees charged and collected by the city are not recorded in /posted to the utility system.
- Receipts are not always deposited timely and intact. A cash count performed on November 1, 2011, revealed 15 water deposits received between October 12, 2011, and October 31, 2011, totaling \$750 were not deposited until November 3, 2011. In addition, city officials often cash city checks from utility collections. For example, a \$250 city check was cashed from utility collections on June 28, 2011. City officials indicated the cash was used as prize money for a barbeque cook off sponsored by the Chamber of Commerce. Several other instances were noted where city checks were cashed from utility receipts.

Failure to implement adequate receipting, posting, and depositing procedures increases the risk that loss or misuse of monies received will go undetected.

### 5.2 Business licenses

Business licenses (including liquor licenses) are not prenumbered, receipt slips are not issued for these monies, and there is no procedure to reconcile business licenses issued to fees collected and amounts deposited. To ensure fees for all licenses are properly collected, recorded, and deposited, the licenses should be prenumbered and the numerical sequence accounted for properly. Licenses issued should be periodically compared to fees recorded and deposited.

### 5.3 Bank reconciliations

The City Clerk does not prepare complete bank reconciliations. While the City Clerk denotes deposits in transit and outstanding checks for each account, a comparison of the reconciled bank balance to the book balance in the general ledger is not performed, and the bank reconciliations contained some errors.

- At August 31, 2011, the reconciled bank balance for the General Fund checking account was \$104 short of the book balance recorded on the general ledger. In addition, the bank reconciliation for August 2011 listed a \$20 check as outstanding, but the check had already cleared the bank on June 28, 2011. No explanation for the remaining \$84 shortage was determined.
- Bank balances for two certificates of deposit were not compared to the book balances in the general ledger, and as a result, interest earned totaling \$1,248 had not been recorded in the accounting records as of August 31, 2011.

Reconciled bank balances should be compared to book balances monthly, and any differences should be investigated and corrected on a timely basis to ensure the accuracy of cash and liability balances.





City of Forsyth  
Management Advisory Report - State Auditor's Findings

## Recommendations

The Board of Aldermen:

- 5.1 Require receipt slips or utility stubs, documenting the actual amount paid and method of payment, be issued for all monies received. The Board should also ensure checks are restrictively endorsed immediately upon receipt, ensure all charges and payments related to the utility turn on/off process are posted to the utility system, and deposit all monies intact and in a timely manner.
- 5.2 Issue prenumbered business licenses, account for the numerical sequence, and reconcile licenses issued to fees recorded and deposited.
- 5.3 Prepare complete bank reconciliations for all bank accounts and resolve any differences in a timely manner.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 5.1 *The city has acquired receipting software with the new computer system and it will be implemented in the June/July timeframe. We will give priority to its implementation. The current process calls for the utility stub to be stamped "Paid" otherwise a receipt is issued where the stub is not available. A notation on all subs is made by city staff indicating the amount paid, the method of payment, and the person receiving the payment. Checks are now restrictively endorsed at time of receipt with a policy of no exceptions. A procedure has been devised and implemented in the new computer system to record and post all fees into the utility system. Water deposits are deposited daily and entered into the utility system. There were date-related timing issues in the old system that have been resolved in the new system. Checks are no longer cashed from on-hand cash. The new policy is to cash them at the bank.*
- 5.2 *The new billing system for merchant licenses automatically numbers and records them. We will work with the software vendor to ensure a reconciliation process is in place. This software will be fully implemented on May 24th.*
- 5.3 *The City Clerk and Deputy City Clerk reconcile accounts monthly and address discrepancies. During the changeover to the new software system, some errors were made which have been subsequently corrected. Bank balances to book balances are being closely monitored and any differences resolved monthly. A schedule to check interest income from all of the city's certificates of deposit are checked quarterly and an entry made for interest earned.*



## 6. Expenditures

Weaknesses were noted in controls and procedures over expenditures.

### 6.1 Bidding

The city bid policy was not followed for several purchases. The city has a procurement policy, which requires city officials to advertise and solicit written bids for items or services costing more than \$2,500, and solicit quotes for items or services costing more than \$1,000 but less than \$2,500.

Bids were not solicited for the purchase of trash and recycling services (\$200,896), a sewer water sampler (\$4,505), and park paint (\$3,843). Additionally, while city officials indicated verbal quotes were obtained for bulk fuel (\$42,253) and road salt (\$2,205), documentation of the quotes was not retained. Also, according to city officials, the purchase of a sewer pump (\$44,675) was a sole source purchase; however, this was not documented.

Documentation of the selection process and criteria, including sole source procurement, should be retained to support purchasing decisions. Competitive bidding not only ensures the city is complying with city policy, but also helps ensure all parties are given an equal opportunity to participate in city business. Complete documentation should be maintained of all bids and proposals received including the reasons why a bid or proposal was selected.

### 6.2 Approval process

The approval process for expenditures and transfers is not adequate.

- The list of bills approved by the Board each month is not complete, and a comparison of this list to approved invoices and the actual checks written is not performed. The list of bills approved by the Board each meeting does not include payroll. In addition, non-payroll expenditures are sometimes not included on the lists, or amounts listed are not accurate. For example, the list of bills for December 2010, did not include non-payroll expenditures totaling \$74,516.
- The Board does not review or approve transfers between restricted funds or transfers between bank accounts. During the year ended August 31, 2011, the City Clerk made 53 transfers totaling \$811,345 without Board approval.

To ensure expenditures and transfers are appropriate, the Board should conduct an adequate review of the list of bills, invoices, and checks written, prior to checks being issued, and develop policies and procedures to review and approve transfers.

### 6.3 Fire call pay

The Fire Chief was paid additional compensation, totaling \$1,158, for responding to fire calls during the year ended December 31, 2011. It is unclear how responding to fire calls is not within the normal job duties of



## City of Forsyth Management Advisory Report - State Auditor's Findings

the Fire Chief. In addition, an independent review and approval of fire call payments to the Fire Chief is not performed and documented.

At the end of each month, the Fire Chief prepares a worksheet from the incident reports to document how much should be paid to each volunteer and himself for responding to fire calls. The payments to the Fire Chief were in addition to the his normal salary.

City ordinance No. 248 indicates the duties of the fire chief include organizing, coordinating, and directing the use of manpower and equipment at the scene of a fire.

### 6.4 City Attorney payments

The City Attorney was not paid in accordance with city ordinance, and invoices did not provide adequate detail. City Ordinance No. 354 provides for the City Attorney to be paid a retainer of \$300 per month and \$100 per hour for special meetings or projects; however, according to one invoice reviewed, the City Attorney was paid \$150 per hour for a special project. Invoices for additional work totaling \$2,800 during the year ended August 31, 2011, only included the date the service was provided and the total amount requested. Additional detail including the work performed (special projects or meetings) and the number of hours worked was not provided. Detailed invoices should be obtained to support services provided and payments made, and to ensure compliance with city ordinances.

### 6.5 Supporting documentation

Adequate supporting documentation was not maintained for some credit card transactions. Our review of credit card purchases for the month of March 2011 totaling \$1,028, identified nine transactions totaling \$620 which did not have adequate supporting documentation. These transactions included lodging, food, tools, and training expenses. The city expended over \$7,000 through credit cards during the year ended August 31, 2011.

To ensure all charges to the city credit cards are proper, detailed supporting documentation, such as itemized receipts and vendor invoices, should be maintained for all transactions and reconciled to billing statements.

## Recommendations

The Board of Aldermen:

- 6.1 Ensure bids are solicited for all applicable purchases in accordance with city ordinances and sufficient documentation is maintained.
- 6.2 Ensure the list of bills provided for approval at monthly meetings is complete, and establish adequate review and approval procedures for transfers.
- 6.3 Compensate the Fire Chief in compliance with city ordinance.



City of Forsyth  
Management Advisory Report - State Auditor's Findings

- 6.4 Ensure amounts paid to the City Attorney are in compliance with city ordinance, and require adequately detailed invoices for legal services provided.
- 6.5 Require adequate supporting documentation be obtained and reconciled to credit card billing statements.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 6.1 *Documentation requirements have been strengthened. The trash removal contract had originally gone out to bid. The contract included extension options which the Board chose to exercise only after negotiating additional concessions from the vendor. The salt was acquired after Taney County was called for their supplier and price. On verbal quotes, we will better document them in the future.*
- 6.2 *A complete list of bills to be paid and transfers between funds is now presented to the Mayor and Board of Aldermen for approval.*
- 6.3 *The auditor is correct. The Fire Chief has been instructed to no longer take fire-call pay. Fire call payments are now reviewed and approved by the Mayor prior to payment, and a list is provided to the Board of Aldermen.*
- 6.4 *The city ordinance has been amended and detailed invoices will be required prior to payment for extra services.*
- 6.5 *Supporting documentation is now a requirement for all city credit cards.*

## 7. Payroll Controls and Procedures

Controls and procedures over timesheets and compensatory time and records need improvement.

### 7.1 Timesheets

During 2011, the city paid the former Police Chief \$12,600 for consulting work; however, timesheets or other supporting documentation was not required to support these payments. In addition, timesheets were not signed by some employees and were not always reviewed or signed by supervisors to ensure accuracy.

In April 2011, the city signed an employment contract with the former Police Chief for consulting services not to exceed 20 hours per week in exchange for \$1,800 per month during the period June through December 2011.



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City of Forsyth  
Management Advisory Report - State Auditor's Findings

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Timesheets or other supporting documentation are necessary to document hours worked, substantiate payroll expenditures, and ensure compliance with contract provisions. In addition, timesheets should be reviewed and signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month and to ensure the accuracy of time worked and leave taken.

## 7.2 Compensatory time records

Compensatory time records maintained by the City Clerk are not correct. Compensatory time accrued and taken is tracked and reviewed by each department and sent to the City Clerk's office for payment. However, this compensatory information is not always entered into the computerized payroll records. As a result, the computerized payroll records maintained by the City Clerk's office understated compensatory leave balances totaling 105 hours for at least nine employees as of December 15, 2011. Balances should be properly maintained and monitored to ensure employees are properly compensated.

## Recommendations

The Board of Aldermen:

- 7.1 Require timesheets or other supporting documentation to support consulting payments, and ensure timesheets are signed by the employee and their supervisor and adequate reviews of timesheets are performed.
- 7.2 Ensure compensatory time records of city employees are accurate.

## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 7.1 *All consulting work will be documented prior to payment. The city has implemented this recommendation with all employees and supervisors reviewing and signing employee time cards. The Mayor currently reviews and signs all supervisor and direct report time cards.*
- 7.2 *Compensatory time has been updated in the new computer system. We will reconcile payroll and leave records quarterly.*

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## 8. Budgets and Ordinances

The city does not comply with state law regarding budgets, and improvement is needed in city ordinances.

### 8.1 Budgets

City budgets do not comply with state law. The budgets do not include a budget message or a budget summary, the actual beginning and ending and estimated ending fund balances, actual revenues and expenditures for the 2 preceding years, and city indebtedness.



## City of Forsyth Management Advisory Report - State Auditor's Findings

Sections 67.010 to 67.040, RSMo, set specific guidelines for the format of the annual operating budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations and provides a means to effectively monitor actual costs and revenues.

### 8.2 Budget monitoring

The Board of Aldermen does not adequately monitor budget to actual revenues and expenditures. As a result, budget amendments for some city funds were approved just before year end, and the city exceeded budgeted appropriations for the Water and Sewer Fund.

On July 18, 2011, after expenditures had already exceeded budgeted amounts, the Board of Aldermen amended the budget to increase expenditures by \$130,289 for the year ended August 31, 2011. In addition, even with the inclusions of these late budget amendments, expenditures exceeded budgeted appropriations for the Water and Sewer Fund for the year ended August 31, 2011, by \$123,322.

Section 67.040, RSMo, requires political subdivisions to keep expenditures within amounts budgeted and allows for budget increases, after the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. To ensure compliance with state law, the Board should properly monitor actual expenditures compared to budgeted amounts and formally amend the budgets before the related expenditures are incurred.

### 8.3 Ordinances

The city has not adopted ordinances to establish the compensation of some city officials. Ordinances have not been adopted addressing the specific compensation of the city prosecuting attorney and the municipal judge. Sections 79.270 and 79.290. RSMo, require the Board of Aldermen to fix the salaries of all city officials and employees by ordinance.

## Recommendations

The Board of Aldermen:

- 8.1 Ensure budgets comply with state law.
- 8.2 Properly monitor actual expenditures compared to budgeted amounts and ensure expenditures do not exceed budgeted appropriations.
- 8.3 Establish the compensation of all city officials by ordinance.



City of Forsyth  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Board of Aldermen provided the following written responses:*

- 8.1 *We are already working on the budget for the next year and a budget message and summary will be prepared and communicated with this and all future budgets.*
- 8.2 *The Board will monitor budgets more closely. We will ensure expenses do not exceed budgeted appropriations.*
- 8.3 *Ordinance 454 has been passed setting the compensation for the City Attorney, Prosecutor, and Municipal Judge. Each year's budget will outline the compensation for each of the city's employees.*

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# City of Forsyth

## Organization and Statistical Information

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The City of Forsyth is located in Taney County. The city was incorporated in 1928 and is currently a fourth-class city. The city employed 19 full-time employees on August 31, 2011.

City operations include fire services, law enforcement services, utilities (water, sewer, and trash), street maintenance, building inspections, and park services.

### Mayor and Board of Aldermen

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen at August 31, 2011, are identified below. The Mayor and members of the Board of Aldermen were not compensated during the year ended August 31, 2011.

Ronald Potter, Mayor  
Missi Smith Hesketh, Alderwoman  
Jack Baker, Alderman  
Cheryl Altis, Alderwoman  
Mike Chipman, Alderman

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Forsyth did not receive any federal stimulus monies during the year ended August 31, 2011.





# Thomas A. Schweich

Missouri State Auditor

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## Henry County



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June 2012

Report No. 2012-49

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of Henry County

County Collector-Treasurer Controls and Procedures	The Collector-Treasurer and former Collector-Treasurer did not properly calculate and distribute current and delinquent tax commissions. The Collector-Treasurer withheld more commissions from cities than allowed by contract. Also, the Collector-Treasurer improperly withheld and personally retained \$290 in commissions from railroad and utility taxes in December 2010. The Collector-Treasurer's annual settlements are incomplete and inaccurate, and neither the County Clerk nor the County Commission reviews them for accuracy. Over \$58,000 in taxes were outlawed and removed from the books without County Commission approval. As of September 30, 2011, the Collector-Treasurer was improperly holding over \$22,000 in the Tax Sale Surplus Fund.
Sheriff Accountable Fees and Special Revenue Funds	Weaknesses still exist in the Sheriff's records and procedures, despite similar findings in prior audit reports. The Sheriff performs most accounting tasks for his office without the involvement of other employees. There is little assurance all monies are handled and accounted for properly. The Sheriff violated state law by using \$79,000 in fees and inmate monies to pay office expenses and lacks documentation to support at least \$14,875 in disbursements, including payments to the Sheriff and ATM cash withdrawals. The Sheriff improperly transferred monies between the county special revenue funds and his bank accounts.
Sheriff Reconciliations and Accounting System	The Sheriff did not prepare bank reconciliations and lists of liabilities and cannot perform a proper reconciliation because debit card disbursements and electronic deposits are not recorded in his accounting system. Several discrepancies and concerns with the Sheriff's accounting system were noted, including manually altered checks and accounting records and inaccurate disbursement reports and monthly reports of fees, making it difficult to ensure all monies were accounted for properly.
Prosecuting Attorney Controls and Procedures	Accounting duties are not adequately segregated, and there was no independent approval to support adjustments. Procedures for receipting and transmitting monies need improvement.
Detention Center	The county sold certificates of participation through a negotiated sale rather than a competitive sale and did not competitively select the underwriter or legal counsel. The county purchased five pieces of property without first obtaining appraisals. The county failed to document why it did not select the lowest bidder for construction management services, and the company it selected provided the request for proposal form used to solicit bids.
Disbursements	The county had no documentation to show it sought competitive bids for some purchases. The Sheriff's office mileage logs were not accurate and complete, and they were not reconciled to fuel purchases. The road and bridge department did not maintain fuel use logs for its equipment and vehicles. The county housed prisoners for Jasper County and six cities, but it did not enter written contracts regarding these services as required by state

law. The Sheriff paid one of his deputies additional compensation to teach carry and concealment classes, but these payments were not processed through the county payroll system, reported on W-2 forms, subject to payroll tax withholdings, or paid in accordance with county overtime policies. Employer contributions related to additional compensation paid to employees of the Prosecuting Attorney's office were not paid into the County Employees' Retirement System, and as a result, the county may have a liability.

Passport Fees	There is no apparent authority for the County Commission to collect passport fees, and the county spent \$2,781 of these fees on parties for county employees.
Public Administrator Controls and Procedures	Audit staff discovered \$4,000 in cash in a case file, which had not been found or entered it into the accounting records by the Public Administrator. The Public Administrator incorrectly calculated fees resulting in at least three wards being overcharged and another ward being undercharged. The full-time employee of the Public Administrator's office is not treated as a county employee, in violation of Section 473.775, RSMo.
Recorder of Deeds Liabilities	As noted in our prior audit report, a monthly list of liabilities is not prepared and reconciled to cash balances.
Senior Citizens Service Board	The Senior Citizens Service Board does not adequately monitor the entities to which it provides funding and does not have written contracts with them.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Poor**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	Henry County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Henry County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Henry County

We have audited certain operations of Henry County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, P.C., Certified Public Accountants, was engaged to audit the financial statements of Henry County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Henry County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Tania Williams, MBA
Audit Staff:	David Olson
	Richard Mosha, MBA

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# Henry County

## Management Advisory Report

### State Auditor's Findings

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#### **1. County Collector-Treasurer Controls and Procedures**

The County Collector-Treasurer did not properly calculate commissions, resulting in approximately \$442,000 due to county schools. The County Collector-Treasurer did not include all activity on her annual settlements, and the County Commission and County Clerk did not properly review the annual settlements. The County Commission does not approve outlawed taxes each year, and the County Collector-Treasurer has not investigated and disbursed excess monies held in the Tax Sale Surplus Fund. For the 2 years ended February 28, 2011, property taxes charged to the County Collector-Treasurer totaled approximately \$17 million annually.

##### **1.1 Commissions**

The County Collector-Treasurer and the former County Collector-Treasurer, who retired effective March 31, 2009, did not properly review or calculate and distribute current and delinquent tax commissions for the 4 years ended February 28, 2011. The County Collector-Treasurer failed to properly review commission calculations and distributions which resulted in the errors not being detected. The County Collector-Treasurer was unaware of these errors until we brought them to her attention.

- The County Collector-Treasurer incorrectly withheld 3 percent on the school portion of all current real estate and personal taxes collected when only 2 percent was allowed, resulting in approximately \$424,000 over withheld from school districts during the period March 2007 through February 2011.
- The County Collector-Treasurer incorrectly withheld 3 percent on the school portions of all delinquent and railroad and utility taxes collected when 3½ percent was allowed, resulting in approximately \$29,000 under withheld from school districts during the period March 2007 through February 2011.
- The County Collector-Treasurer did not properly distribute current and delinquent tax commissions. The County Collector-Treasurer incorrectly distributed commissions due to the General Revenue Fund to the County Employees' Retirement Fund (CERF) (\$114,067) and Tax Maintenance Fund (\$29,115) during the 2 years ended February 28, 2011.
- The County Collector-Treasurer incorrectly calculated and withheld Proposition C commissions from current taxes collected during November and December from 2007 to 2010. As a result, a total of approximately \$47,000 was over withheld from the Henry County R-I School District (Windsor), and paid to the county General Revenue Fund, Tax Maintenance Fund, and CERF.

Sections 52.290, 54.280, and 54.320, RSMo, establish commission rates for the various tax collections noted above.



## Henry County Management Advisory Report - State Auditor's Findings

### 1.2 City commissions

The County Collector-Treasurer is not calculating and withholding commissions from city taxes in compliance with city contracts.

- The County Collector-Treasurer currently withholds 3.5 percent instead of 3 percent on the City of Clinton back taxes as provided for in the contract. As a result, \$570 was over withheld from the City of Clinton and paid to the county (\$285) and to the County Collector-Treasurer personally (\$285) during the 2 years ended February 28, 2011.
- The County Collector-Treasurer currently assesses a 7 percent penalty on all delinquent city taxes instead of the 2 percent penalty provided for in the contract, which is to be retained by the County Collector-Treasurer personally. Additionally, this 7 percent penalty was paid to the CERF Fund (\$6,053), the Tax Maintenance Fund (\$4,035), the county (\$2,017), and the County Collector-Treasurer personally (\$2,017) during the 2 years ended February 28, 2011.
- The County Collector-Treasurer incorrectly assessed a 2 percent penalty on November current city tax collections when a 2 percent penalty was only allowed for delinquent tax collections. Also, a calculation error in the manual adjustment on the November 2010 monthly settlement resulted in 20 percent rather than 2 percent being taken on collections for cities other than the City of Clinton. The penalties erroneously taken on current taxes totaled \$4,650 and were paid to the county (\$2,325) and the County Collector-Treasurer personally (\$2,325) during the 2 years ended February 28, 2011.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform certain tax collection services for cities and charge for such services. The contracts entered into with various cities provide for both the County Collector-Treasurer and the county to receive a fee of 1.5 percent withheld from all taxes collected. The contracts also provide for the County Collector-Treasurer to receive penalties, in the amount of 2 percent, on all delinquent and back taxes.

- The County Collector-Treasurer is improperly withholding and personally retaining commissions on railroad and utility taxes pertaining to cities. The collector withheld \$290 personally in December 2010 from railroad and utility taxes collected from cities. The collection of railroad and utility taxes is a part of the County Collector-Treasurer's statutorily required duties, and the County Collector-Treasurer should not receive additional compensation for collecting these taxes. Section 151.180, RSMo, requires the County Collector to collect all railroad taxes.





## Henry County Management Advisory Report - State Auditor's Findings

### 1.3 Annual settlements

The County Collector-Treasurer's annual settlements for the 2 years ended February 28, 2011, were not accurate and did not include all activity. In addition, the County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes, and no evidence was provided to indicate procedures are performed by the County Clerk or the County Commission to verify the County Collector-Treasurer's monthly or annual settlements. The following errors were noted on the annual settlements:

- The County Collector-Treasurer erroneously included \$26,118 as protested taxes instead of abatements on the annual settlement for the year ended February 28, 2011.
- Private car tax collections of \$20,508 were recorded twice on the annual settlement for the year ended February 28, 2010, and private car tax collections of \$16,195 were not included on the annual settlement for the year ended February 28, 2011.
- Outlawed taxes totaling \$24,664 and \$33,640 were not included on the annual settlements for the year ended February 28, 2011 and 2010, respectively.
- Delinquent railroad and utility taxes totaling \$15,180 were not included in charges or collections on the annual settlement for the year ended February 28, 2011.
- The amount reported on the annual settlement for the year ended February 28 (29), 2010, for 2009, 2008, 2007, and 2006 delinquent personal taxes did not agree to the delinquent personal tax books. The annual settlement was overstated by \$13,068.

By not accurately reporting all activity on the annual settlement, there is little assurance tax monies have been handled and accounted for properly. Section 139.450, RSMo, states the collector shall include in the collector's annual settlement the whole amount of taxes collected. In addition, Section 51.150.1 (2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records could be used by the County Clerk and County Commission to verify the County Collector-Treasurer's monthly and annual settlements.

### 1.4 Outlawed taxes

The County Commission does not approve personal property taxes outlawed each year. Taxes totaling over \$58,000 were outlawed and removed from the tax books during the 2 years ended February 28, 2011, without County



## Henry County Management Advisory Report - State Auditor's Findings

Commission approval. As a result, changes to the amount of taxes the County Collector-Treasurer is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission.

### 1.5 Tax Sale Surplus Fund

The County Collector-Treasurer is improperly holding over \$22,000 in the Tax Sale Surplus Fund as of September 30, 2011.

- Upon closure of the County Collector-Treasurer's property tax bank account in February 2011, \$3,539 was incorrectly transferred to the Tax Sale Surplus Fund. This represented 19 checks that were issued from the property tax bank account during the period December 2006 to April 2010, and remained outstanding in February 2011. Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be paid out in accordance with applicable state laws.
- Private car tax collections totaling \$6,152 owed to the General Revenue Fund were received in January 2010, and were incorrectly transferred to the Tax Sale Surplus Fund when the property tax bank account was closed in February 2011. The County Collector-Treasurer was unaware she was holding these monies until we brought it to her attention. The County Collector-Treasurer should transfer these monies to the General Revenue Fund.
- Unidentified monies totaling \$12,740 were held by the County Collector-Treasurer in the Tax Sale Surplus Fund. Section 140.230.2, RSMo, requires tax sale surplus monies to be held for three years, and if these tax sale surplus monies remain unclaimed after this time period, the monies are to be distributed to the schools.

Similar conditions  
previously reported

Similar conditions to sections 1.1, 1.3, and 1.5 were noted in our prior audit report.

### Recommendations

The County Collector-Treasurer:

- 1.1 Recalculate current and delinquent tax commissions withheld and distributed, and correct distributions from the General Revenue Fund to the various political subdivisions and from the CERF and Tax Maintenance Funds to the General Revenue Fund. The County Collector-Treasurer should also ensure future commission calculations are accurate.



## Henry County Management Advisory Report - State Auditor's Findings

- 1.2 Recalculate city tax commissions withheld and distributed and correct distributions. In addition, the County Collector-Treasurer should ensure future commission calculations are accurate.
- 1.3 File complete and accurate annual settlements. Additionally, the County Clerk should maintain an account book with the County Collector-Treasurer, and the County Clerk and County Commission should use the account book to review the accuracy and completeness of the County Collector-Treasurer's monthly and annual settlements.
- 1.4 Work with the County Commission to establish proper controls over property taxes outlawed each year.
- 1.5 Establish routine procedures to investigate checks outstanding for a considerable time, disburse private car tax collections owed to the General Revenue Fund, and disburse any tax sale surplus monies in accordance with state law.

## Auditee's Response

*The County Collector-Treasurer provided the following written responses:*

- 1.1 *During my time as County Collector-Treasurer (April 2009 to February 2011), the current and delinquent tax commissions were not calculated correctly. I was employed in this office by the prior County Collector-Treasurer which included the 2008 state audit. The monthly settlement reports were pulled including the years 2007 and 2008. The 2008 audit report does include statements about these years. Since there was no mention of erroneous current or delinquent tax commissions (including railroad and utilities and Proposition C calculations), I assumed these were correct. Upon the findings of the current audit, I immediately corrected the current and delinquent commissions and implemented new calculating procedures for railroad and utilities and Proposition C. Also during this current audit, the County Clerk was given new Proposition C ratios, replacing the ratios we had on file. He has provided these corrected ratios to me. (The final revised corrections were given to me on May 3, 2012). We are currently in the process of recalculating from March 2007 to November 2011, the corrections on current and delinquent commissions and the Proposition C ratios. I will continue to monitor these calculations to see that they remain in accordance of this audit.*
- 1.2 *As stated in 1.1, since the 2008 audit report did not mention any erroneous current or delinquent city penalty percentages or collecting commission on railroad and utilities, I assumed these were correct. I am using the exact contract with the cities as the*



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*prior Collector-Treasurer. Upon the findings of the current audit, I immediately corrected these errors. The November 2010, monthly settlement did show a 20% manual calculation on city commissions in error in lieu of the correct 2%. This was a manual miscalculation for that month of November only. I will continue to monitor these manual calculations as well.*

- 1.3 *\$26,118 was entered as protested taxes on my February 2011 settlement and should have been entered as abatements. It was a mistake of just plugging figures in on wrong line. I will have to go back and recheck where you say we recorded \$20,508 twice on February 28, 2010 annual settlement and private car tax collections of \$16,195 were not included on the February 28, 2011 annual settlement. Yes I failed to put the railroad and utility delinquent taxes totaling \$15,180 on our annual settlement. Outlawed taxes for February 28, 2010 and 2011 were not recorded on annual settlement it was just an oversight. Without going back and rechecking for sure I couldn't say if they are included in another figure. This year we decided to not outlaw any 2008 taxes we will collect what we can to make the county and all entities more money. It was reported that delinquent taxes on personal property did not agree with delinquent tax books, without going back again and checking what was recorded in both places I cannot tell you for sure. What I can tell you every audit since I was hired in 1997 there has been something wrong with the annual settlement. We are using a program that another collector has set up and we plug our monthly figures in and balance to it each month. We have used this program for the last 3 or 4 years and at the end of the year we balance so I don't know where we are going wrong. We give the County Clerk copies of our monthly report and he also gets copies of add ons and abatements. He also gets a copy of our annual settlement and signs off on this report. He gets copies of what is charged out every year in November and then again March 1 of delinquent year.*
- 1.4 *We are no longer going to outlaw taxes on personal property. There will still be abatements done on this if they are not collectible.*
- 1.5 *When the Collector's bank account was closed at 1st National, there was a surplus of money that was refund checks that had not cleared. We had tried to locate the recipients of these refunds but were unable to. This bank account had never balanced from even before the prior Collector-Treasurer so we did not catch that we had failed to give General Revenue the private car collections. Upon this finding, the private car collection was turned over to General Revenue and the County Clerk was notified for his records. Upon*



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*closing of the collector's bank account, a new bank account was opened and is balanced monthly with collections and the bank statement. The back tax figures are logged in the Surplus Sales Tax Book and each year the surplus money that has been held for 3 years is distributed to the schools. This is documented in the same book. The remaining money from the closed Collector's bank account will be distributed to the schools in August 2012, with the regular 3 year surplus.*

*The County Clerk and County Commission provided the following written responses:*

- 1.3 The County Clerk's Office will develop and maintain an accounting system, to be updated monthly, to reconcile the County Collector-Treasurer's monthly and annual settlements. The County Commission will review the County Clerk's and County Collector-Treasurer's report for accuracy.*
- 1.4 The County Clerk's Office will develop proper controls to ensure outlawed taxes are accounted for and approved by the County Commission.*

## Auditor's Comment

- 1.1*
- &1.2** The Collector-Treasurer's attempt to shift responsibility for ensuring commission calculations are in compliance with state law is not justified. On March 1, 2007, the office of township collector was abolished and statutes regarding property tax commissions changed. Our prior report covered the 2 collector years ended February 28, 2007, and included findings related to commissions under the previous laws. This audit reports non-compliance with current laws regarding Collector-Treasurer commissions.

## **2. Sheriff Accountable Fees and Special Revenue Funds**

Although prior audit reports have addressed the inadequacy of the Sheriff's records and procedures, improvements have not been made and significant weaknesses still exist.

The Sheriff performs most accounting tasks for his office without involvement of other employees. There is little assurance all monies are handled and accounted for properly. During the 2 years ended December 31, 2010, payments totaling \$2,804 made to the Sheriff and for ATM cash withdrawals from the Sheriff's bank accounts were unsupported. Numerous other disbursements were not adequately documented, monies were transferred inappropriately, and the Sheriff did not adequately monitor his accounts or funds. The Sheriff paid some operating expenses from his bank accounts.



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The Sheriff's office collected various fees, board bills, monies from local patrolling contracts, jail phone commissions, and bonds during the years ended December 31, 2010 and 2009, totaling approximately \$310,000 and \$295,000, respectively, and these monies were deposited into the Sheriff's fee bank account. The Sheriff's office collected inmate monies during the years ended December 31, 2010 and 2009, totaling approximately \$50,000 and \$31,000, respectively, and these monies were deposited into the inmate bank account. In addition, the county has ten special revenue funds restricted for law enforcement purposes, which had activity totaling over \$6.3 million and \$5.6 million during the years ended December 31, 2010 and 2009, respectively. The Sheriff initiates and approves all disbursements and transfers from these funds.

### 2.1 Sheriff bank accounts

The Sheriff is not properly accounting for various fees and inmate monies received, and used over \$79,000 (\$60,000 and \$19,000 from the inmate and fee bank accounts, respectively) in violation of state law to pay operating expenses of his office during the 2 years ended December 31, 2010. Supporting documentation was not retained for at least \$14,875 of disbursements made from the Sheriff's bank accounts, including payments totaling \$2,804 made to the Sheriff and for ATM cash withdrawals from the Sheriff's bank accounts, and as a result, the propriety of these transactions is uncertain. The Sheriff also improperly transferred monies between the fee and inmate bank accounts. The Sheriff indicated transfers between bank accounts were made when insufficient funds existed in these accounts. Further, the Sheriff incurred insufficient fund charges on these bank accounts totaling \$1,675 during the 2 years ended December 31, 2010. The Sheriff subsequently received bank credits for \$1,650 of these insufficient fund charges.

Included in the undocumented disbursements was at least \$2,800 paid to deputies from the fee and inmate accounts for hours worked and mileage driven. In addition, as a result of not processing these payments through the county's payroll system, amounts were not reported on the deputies' W-2 forms, and payroll deductions were not withheld from the payments. Similar concerns were noted with some payroll-related transactions from the special revenue funds. In addition, adequate supporting documentation was not available for \$226 of restaurant payments reviewed. The Sheriff spent approximately \$1,300 during the 2 years ended December 31, 2010 for restaurant meals.

The amounts deposited into the various county law enforcement related special revenue funds may be incorrect, and there is little assurance restricted funds have been accounted for properly and expended for allowable purposes. While the Sheriff's accounting system tracks monies received by type of receipt, the Sheriff does not utilize the system to accurately accumulate fee amounts for transmittal to the County Collector-Treasurer. As a result of using accountable fees for operating expenses and



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not properly using the capabilities of the computerized accounting system, the Sheriff did not always transmit fees timely and amounts transmitted frequently appeared to be more or less than the corresponding amounts received. For example, the Sheriff's accounting system indicated federal grant funds of \$7,616 were received during the year ended December 31, 2010; however, \$36,529 was turned over to the County Collector-Treasurer to be deposited into the Sheriff's Federal Grant Fund during this same time period. In another example, the Sheriff's accounting system indicated jail phone commissions of \$11,112 were collected during the year ended December 31, 2010; however, only \$1,981 of these commissions were disbursed to the County Collector-Treasurer during the same time period. The Sheriff indicated he does not transmit monies based upon the type of monies received, but based upon which special revenue fund held by the County Collector-Treasurer from which he plans to make a future purchase.

There is no statutory authority for the Sheriff to retain monies outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to file a monthly report with the county and pay such monies to the County Treasurer. Operating expenses of the Sheriff's office should be paid from county funds and handled through the county's normal budgeting and disbursement practices. Timely and accurate disbursement of fees collected is necessary to provide adequate controls over account balances, ensure restricted monies are properly handled, and increase the likelihood discrepancies are promptly detected.

### 2.2 Special Revenue Funds

The Sheriff improperly transferred monies between the county special revenue funds and his bank accounts, and adequate supporting documentation was not provided for payments made to the Sheriff and for other payments related to the operation of the Sheriff's office.

Thirty-three checks totaling \$23,670 were issued from the special revenue funds and General Revenue Fund to the Sheriff upon his request and deposited into his fee and inmate accounts. The Sheriff indicated the payments were made for reimbursement of operating expenses. These payments would not be necessary if the Sheriff did not pay operating expenses out of his bank accounts.

Also, the Sheriff requested several transfers be made between various special revenue funds, and the purpose of these transfers was unclear and not adequately documented. For example, the Sheriff requested a \$10,500 transfer be made from his CORP of Engineers Fund to his Federal Grant Fund in October 2009, and then requested the same amount be transferred back to the CORP of Engineers Fund in November 2009.

The multiple transfers resulted in problems with budgets for the special revenue funds. Because of the multiple transfers, actual disbursements



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exceeded budgeted disbursements. Also, receipt transactions were often classified as transfers on the budgets rather than a more appropriate and descriptive receipt category. As a result, determining accurate receipts and disbursements data and preparing reasonable budgets for use in monitoring law enforcement operations is more difficult.

Adequate supporting documentation was not provided for \$4,497 of \$8,052 payments reviewed from the special revenue funds to the Sheriff. While the Sheriff typically provided the county with a summary spreadsheet or list of expenses to be reimbursed, actual documentation (paid receipts, itemized vendor invoices, or other detailed documentation) was not retained by either the county or the Sheriff. Additionally, in some instances, it was not clear the payments were for legitimate county expenses.

Further, the County Commission does not adequately review other disbursements related to the operation of the Sheriff's office. The County Commission only reviews a summary statement of Sheriff's office fuel and local retail store credit card purchases. The entire bill and detailed invoices of each purchase are not reviewed by the County Commission. While the Sheriff indicated he reviews the entire bill and all invoices, the County Commission indicated it only reviews detailed invoices if a specific disbursement is questioned. Adequate supporting documentation was not retained for the December 2009 fuel bill selected for review. The Sheriff indicated he destroyed all mileage logs for 2009, which would have supported the fuel purchases reviewed.

Limiting transfers to those instances where errors are made or when special circumstances arise would aid the Sheriff and County Commission in monitoring the activity of these special revenue funds and ensuring special revenue funds are used in accordance with state law. In addition, the purpose of the transfers between funds should be documented. The Sheriff and the County Commission should use proper accounting and budgeting procedures to monitor and control receipts and disbursements of the county's various law enforcement related special revenue funds. All disbursements should be supported by paid receipts, itemized vendor invoices, or other detailed documentation to ensure the obligation was actually incurred and the amount paid is proper. In addition, payroll transactions should be handled through the county payroll system with proper reporting and withholdings.

### Overall conclusion

Due to the lack of segregation in the Sheriff's office and the serious concerns noted above, it is important the County Commission and County Clerk ensure all fees are turned over properly, disbursements are processed through the normal county budget and disbursement processes, and the Sheriff's special revenue funds are properly monitored.





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## Recommendations

The Sheriff:

- 2.1 Turn over all fees to the County Collector-Treasurer as required by state law. Payment of expenses should only be made through the normal county disbursement process as provided for in the budgets of special revenue funds. In addition, the Sheriff and County Commission should ensure all salary payments and wages are subject to payroll withholdings, reported on W-2 forms, and supported by timesheets that reflect actual time worked.
- 2.2 And the County Commission limit transfers, consider a more effective method of budgeting transfers and disbursements, and ensure the purposes of all fund transfers are documented. The Sheriff and County Commission should require adequate supporting documentation for all disbursements, and ensure funds are disbursed in a necessary and appropriate manner and proper oversight of the Sheriff's office is performed.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 2.1 *We are working on implementing the payment of inmate commissary supplies through the county budget process. We will work with the County Commission to amend the budget to allow for this process to be implemented. We will incorporate a credit card system to allow for on-line purchases, travel and training expenses, rather than utilizing the checking account debit card. All other aspects have been implemented.*
- 2.2 *This recommendation has been implemented. The new accounting software implemented by the County Clerk allowed for the combining of several law enforcement funds, thus eliminating the need for transfers. The County Clerk now receives the original of all bills processed through the Sheriff's Office.*

*The County Clerk and County Commission provided the following written responses:*

- 2.1 *All county employees will receive compensation through the payroll system. It is Henry County Policy (8.10) that department heads work to the best of their ability to reduce overtime/comp time situations. However, all worked hours must be documented on employee time sheets, approved by elected officials, and paid through the county payroll system.*
- 2.2 *The County Clerk's office will develop a form for the Sheriff's Office to use to determine where fees were collected from and where deposits were made to from these fees. The county has been*



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*proactive in reducing the number of fund transfers. After consulting with the State Auditor's Office, the County Clerk has reduced the number of funds, either by combining funds together or by eliminating the funds outright. The 2012 Budget had 7 fewer funds than the 2011 Budget. All requisitions require supporting evidence prior to being paid.*

### **3. Sheriff Reconciliations and Accounting System**

There is no assurance accounting records are accurate and complete. The Sheriff developed and utilizes a computerized accounting software system for recording the receipt and disbursement of accountable fees, printing checks, and reconciling bank accounts. Several discrepancies and concerns, including manually altered checks and accounting records, were noted with the accounting system.

#### **3.1 Bank reconciliations**

Bank reconciliations and a list of liabilities were not prepared for either the fee or inmate bank accounts, and the Sheriff cannot perform a proper reconciliation because debit card disbursements and electronic deposits are not recorded in the accounting system.

We prepared a list of known liabilities for the fee account as of December 31, 2010, which totaled \$5,396, while the available cash balance was only \$2,776, resulting in known liabilities exceeding the available cash balance by \$2,620. At our request, the Sheriff prepared a list of known liabilities for the inmate account as of December 31, 2010, which totaled \$418, while the cash balance was negative (\$551), resulting in known liabilities exceeding the available cash balance by \$969.

Adequate and accurate bank reconciliations are necessary to ensure all receipts and disbursements are accounted for properly and the cash balance in the bank account can be properly identified. Without regular comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained to provide assurance that bank and book have been properly reconciled, and that book balances are accurately stated. Complete and accurate accounting records are essential to properly reflect the Sheriff's office financial activity, provide an adequate audit trail, and facilitate reconciliations with bank accounts.

#### **3.2 Accounting system**

Several discrepancies and concerns were noted with the accounting system:

- Checks and accounting records were altered manually. The payee on several checks was whited-out or manually marked through and a new payee was written in. These alterations were made prior to checks being mailed or negotiated and the bank images of the checks showed the alterations.



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- During the 2 years ended December 31, 2010, the payee and amount of the check in the accounting system did not agree to the actual check for 58 checks written with a net difference in the amount of the checks recorded and written totaling \$6,387. For example, the accounting system indicated a check was written to the Henry County Sheriff for \$1 when it was actually issued to another individual for \$385.
- In November 2011, the Sheriff generated a list from his computerized accounting system of disbursements made from the inmate account during the 2 years ended December 31, 2010; however, the list did not agree to the disbursement reports printed at earlier dates. For example, 32 checks (check numbers 3473 through 3504) for January and February 2009 were recorded at different amounts on the list of disbursements (generated in November 2011) than the disbursement reports generated on February 7, 2009, which were attached to the monthly bank statements. These checks totaled \$1,255 on the November 2011 report while the same checks totaled \$2,532 on the disbursement reports attached to the bank statements. Check amounts were both increased and decreased with the overall discrepancies totaling \$3,138.
  - The Sheriff's report of fees for the month of June 2010 did not agree to the accounting system or bank records. The report of fees indicated fees of \$21,071 were collected while the accounting system and bank records indicated only \$14,588 was received. The report of fees also indicated \$18,759 was disbursed/turned over during the month while the accounting records and canceled checks showed only \$14,582 was disbursed.

Altering checks increases the risk of theft of funds. Issuing new checks, and voiding and retaining the incorrect checks would provide better control. Complete and accurate accounting records are essential to properly reflect the Sheriff's office financial activity, provide an adequate audit trail, and facilitate reconciliations with bank accounts.

Similar condition  
previously reported

Similar conditions to sections 3.1 and 3.2 were noted in our prior audit report.

## Recommendations

The Sheriff:

- 3.1 Perform bank reconciliations and reconcile bank balances to liabilities monthly. Any differences between accounting records and reconciliations should be investigated and resolved. The Sheriff should ensure all disbursements and receipts are accurately recorded in the computerized accounting system.



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- 3.2 Discontinue altering checks and ensure disbursements are properly reported in the accounting system.

## Auditee's Response

*The Sheriff provided the following written response:*

- 3.1 *This recommendation has been implemented. We are now receipting all electronic transfers from the bank account into the local accounting system.*
- 3.2 *This recommendation has been implemented. We have reprogrammed to allow for payee information to be correctly input at the time a check is issued.*

## 4. Prosecuting Attorney Controls and Procedures

Accounting duties are not adequately segregated, and there was no independent approval to support adjustments posted to the accounting system. Procedures for receipting monies are not adequate, and reconciliations of receipts to the computerized accounting system and transmittals are not performed. As a result of these numerous control weaknesses, there is no assurance all monies are handled and accounted for properly.

The Prosecuting Attorney's office collected bad check restitution and fees and court-ordered restitution totaling approximately \$91,000 and \$127,000 during the years ended December 31, 2010 and 2009, respectively.

### 4.1 Segregation of duties and adjustments

The duties of receiving, recording, and transmitting monies are not adequately segregated. The bad check clerk performs all of these duties, and reviews performed by the Prosecuting Attorney are not documented. In addition, there was no independent approval to support adjustments posted to the accounting system, and adequate documentation of such adjustments was not retained. The bad check clerk and office manager have the ability and authority to post adjustments to the computer system without obtaining independent approval. During the period August 1 through September 21, 2011, 23 adjustments totaling \$1,130 were made to the accounting system and 19 adjustments totaling \$15,823 were made to the accounting system during the period September 1 through December 1, 2010.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review of the records. In addition, to ensure all adjustments are valid, someone independent of receipting and recording functions should review and approve all adjustments, and proper supporting documentation should be maintained for such adjustments.



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## 4.2 Receipting and transmitting monies

Procedures for receipting and transmitting monies need improvement. Two cash counts conducted on August 9, and September 21, 2011, and a review of various restitution cases with monies received during 2010 identified the following weaknesses:

- Receipt slips had not been issued for some monies on hand during cash counts.
- The numerical sequence of manual receipt slips issued was not accounted for properly.
- Receipts are not transmitted timely to the victim and County Collector-Treasurer and are not posted to the computerized accounting system timely. For example, 23 receipt slips totaling \$4,147 issued between August 8 and August 31, 2011, were still on hand during our cash count on September 21, 2011, and were not posted to the computerized accounting system until after September 18, 2011. In other examples, bad check fees collected in August and September 2010 totaling \$1,336 were not transmitted to the County Treasurer until October 12, 2010, and manual receipt slips issued on September 6, 2010, were not posted to the computerized accounting system until September 9, 2010.
- Amounts recorded on manual receipt slips are not reconciled to the computerized accounting system and transmittals. As a result, the Prosecuting Attorney's office did not detect 17 duplicate manual receipt slips and 3 triplicate manual receipt slips issued for some monies on hand at the time of our cash counts.
- Money orders made payable to the Prosecuting Attorney are not restrictively endorsed until the receipts are transmitted to the County Collector-Treasurer.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipt slips should be issued in numerical sequence for all monies received, receipts should promptly be recorded and reconciled to the computer system and transmittals, monies should be transmitted intact and timely, and money orders made payable to the Prosecuting Attorney should be restrictively endorsed immediately upon receipt. In addition, Section 50.370, RSMo, requires county officials to pay monies received for official services to the County Treasurer monthly.

## Similar conditions previously reported

Similar conditions were noted in our prior audit report.



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## Recommendations

The Prosecuting Attorney:

- 4.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented, and require someone independent of the accounting system to review and approve all adjustments and ensure adequate documentation is retained to support such adjustments.
- 4.2 Ensure receipts slips are issued in numerical order for all monies received and monies are recorded promptly, and restrictively endorse money orders immediately upon receipt. In addition, the Prosecuting Attorney should ensure monies are transmitted timely and intact, and ensure comparisons of receipt slips to the computerized accounting system and transmittals are performed.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 4.1 *As I indicated in my response to the previous audit, I simply do not have adequate personnel to have the level of segregation of duties recommended. We make every effort to remain open during the lunch hour so citizens with business to transact in this office may do so at any time during the day. As a result all of the few support staff I am provided with must be in a position to perform all of the duties. Supervisory reviews of accounting records are done by the prosecuting attorney; however, those reviews have not been systematically documented. Effort will be made to do that in the future. No request was made by the audit staff for any explanation of those reviews.*

*As previously noted, the office is not adequately staffed. As a result, often there is only one person in the office to handle transactions with the public because of lunch hours, vacation and sick days, court days and other reasons. It should be noted that position of bad check clerk was vacant during the period sampled for adjustments made in 2011 and for a substantial period of the time period sampled for 2010 the bad check clerk was on maternity leave. Consequently, those are not good samples of our normal operations, a fact that was communicated to the audit staff. It should be noted that none of those adjustments showed any indication of malfeasance. It should also be noted that "adjustments" are routinely made according to our procedures for several reasons and are not necessarily indicative of errors made. For example, an adjustment is made on a defendant's record if his probation is revoked and he/she is ordered to prison or if a co-defendant has paid off all of a sum of restitution that was ordered to be paid jointly and severally by multiple defendants.*



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4.2 *When the auditor began collection data in the prosecuting attorney's office, the bad check clerk had just begun working in that position a very few days before. The position had been vacant for several weeks. The duties of that position had been in part performed by other short-handed staff. As a result, some monies received in the mail had not yet had receipts sent by return mail. When this was noted by the audit staff, the bad check clerk attempted to correct that issue and in the process apparently issued receipts twice for some monies received. Another result of the staffing issue was that deposits were not made in as timely a manner as was the normal practice.*

*It should also be noted that this office does not and has not accepted U.S. currency as payment for bad checks or bad check fees. It should also be noted that access to the office where receipts are kept is restricted and not accessible by the public.*

*General response*

*It was repeatedly pointed out to the auditors that the timing of the field part of the audit as to the PA's office was particularly inopportune because of the personnel staffing issues. We requested that the audit of this office take place at a later time and/or to use samples from different time periods but these suggestions were not followed. There was no effort by the audit staff to return to this office at a later time to get additional samples after the staffing issues had been alleviated. When this fact was noted in our response to the initial draft report a second sample was reported on the auditor's draft report. Unfortunately, the bad check clerk was on maternity leave during a substantial part of that period sampled. While I understand in part the reasons for not changing the timing of the audit data collection process, the timing as done provided an inaccurate picture of how this office operates.*

## Auditor's Comment

During an exit meeting, the Prosecuting Attorney indicated he does not review bank reconciliations or agree manual receipt slips issued to computerized accounting records or transmittals. Other periods of time were reviewed and similar problems noted. It is extremely important that proper internal controls and thorough supervisory reviews be in place when regular staff are on leave, new employees have taken over accounting duties, and/or positions in the office are vacant, placing additional responsibilities on others.

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## 5. Detention Center

Financing and procurement practices need improvement. In addition, the county did not obtain appraisals prior to purchasing property for construction of the detention center.



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In September 2008, the county started purchasing properties to construct a detention center. The detention center, which houses the Sheriff's offices and jail, was completed in September 2010 at a cost of approximately \$9 million.

### 5.1 Financing

Certificates of Participation (COPS) totaling \$10,845,000 to finance construction of the detention center, were sold in March 2009 through a negotiated instead of a competitive sale. In addition, the County Commission did not select the COPS underwriter or legal counsel competitively. The County Commission used an underwriter and legal counsel it was familiar with and relied upon the advice of the underwriter instead of seeking open bids assuring the most competitive rate of return for taxpayers. The underwriter was paid \$97,605 and legal counsel was paid \$55,000.

COPS are a method of financing a capital project whereby a financial institution sells interests in the capital project, leases the project to a local government, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a minimal amount the capital project it has been leasing. COPS are not required to be approved by county voters.

While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting underwriters and legal counsel, competitive sales may result in lower interest costs for the county and competition in selecting underwriters and legal counsel is important to ensure services are obtained from the best qualified providers at a fair price.

### 5.2 Independent appraisals

The county did not obtain appraisals prior to purchasing five pieces of property totaling \$413,500. While the County Commission believes the amount paid was reasonable and the location of the properties was important, written appraisals from an independent appraisal company should be obtained prior to the purchase of real estate and used to provide a basis for negotiations and to ensure the prices paid are reasonable.

### 5.3 Procurement

While the County Commission solicited bids for construction management services and received seven bids, the County Commission did not document why it selected the third from lowest bid. In addition, the vendor who was awarded the bid contacted the county prior to the start of the bid process and provided the county a request for proposal (RFP) form to be used to solicit bids. The county used the form provided by this firm, which makes the county's decision to award the bid to this vendor more questionable. The construction management company was paid \$470,392 during the 2 years ended December 31, 2010.





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Complete documentation should be maintained of all bids, the proposals and summary of qualifications received, and the reasons why a bid or proposal was selected.

## Recommendations

The County Commission:

- 5.1 Pursue fair and open competition in any future financing of capital projects.
- 5.2 Ensure independent appraisals are obtained for all future real estate purchases.
- 5.3 Ensure sufficient documentation is maintained to support bid awards.

## Auditee's Response

*The County Commission provided the following written responses:*

- 5.1 *Any future financing, for the county, will be bid out competitively.*
- 5.2 *Any future property purchases will be appraised prior to purchase negotiations.*
- 5.3 *The county will develop its own Request for Proposal (RFP) form. All bid documentation, and decisions made, as a result of the bids, will be documented and maintained for the period outlined by the Missouri Secretary of State's Retention Schedule.*

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## 6. Disbursements

Weaknesses were noted in controls and procedures over disbursements.

### 6.1 Bidding

While county officials indicated bids were received for the lease purchase of three patrol cars totaling \$64,289, envelopes with postage for the County Collector-Treasurer's office totaling \$10,400, and road and bridge department building repairs totaling \$14,064, the county did not retain the bids to show compliance with state law.

Section 50.660, RSMo, provides guidance on bidding requirements and procedures. Routine use of a competitive procurement process for major purchases ensures the county has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in county business. Documentation of the various proposals received, and the county's selection process and criteria should be retained to demonstrate compliance with state law and support decisions made.

### 6.2 Fuel use records

Controls and procedures over fuel use and purchases need improvement. According to accounting records, the county purchased fuel for the Sheriff's office and road and bridge department costing \$91,499 and \$54,265,



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respectively, during the 2 years ended December 31, 2010. The Sheriff's office and road and bridge department purchase fuel at local fuel stations.

- Mileage and fuel use logs maintained by the Sheriff's office for its 15 vehicles are not reconciled to fuel purchases. In addition, mileage logs were not accurate and complete. Beginning and ending odometer readings did not always match from day to day and some odometer readings were left blank on the mileage logs.
- The county has no records to ensure fuel purchases for road and bridge equipment and vehicles are used appropriately. Fuel use logs are not maintained for the road and bridge department's equipment and vehicles, and as a result, fuel use is not reconciled to fuel purchases.

Procedures for reviewing fuel use and reconciling use to fuel purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements. In addition, mileage and fuel use logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. Failure to account for fuel purchases could result in theft and misuse of fuel going undetected.

### 6.3 Written contracts

The county did not enter into written agreements with Jasper County and six cities regarding the rate to be charged for housing prisoners in the county jail. Henry County charged Jasper County \$45 per day and the cities \$35 per day to house prisoners.

The county housed prisoners for Jasper County from May 9 to September 15, 2011. While numerous bills were sent for payment, Jasper County failed to pay, and Jasper County prisoners were returned to Jasper County on September 15, 2011. As of September 15, 2011, Jasper County owes over \$135,000 in prisoner board to the county.

Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

### 6.4 Additional compensation

The Sheriff paid one of his deputies \$546 and \$1,146 from the Sheriff's Revolving Fund to teach carry and concealment classes during the years ended December 31, 2010 and 2009, respectively. These payments were in addition to the deputy's normal salary and were not processed through the county payroll system, reported on W-2 forms, subject to payroll tax withholdings, or paid in accordance with county overtime policies.

The Sheriff entered into a contract with this deputy in January 2007, which states the deputy will receive up to 60 percent of class registration fees. The



## Henry County Management Advisory Report - State Auditor's Findings

Sheriff indicated the work was performed and classes were held outside the deputy's regular working hours; however, no documentation was retained to report time spent preparing and teaching the classes. It is unclear why this deputy was not treated as an employee and paid his overtime rate to teach the classes.

The Internal Revenue Code generally indicates individuals treated as employees should have all compensation reported on Forms W-2. In addition, to ensure compliance with the Fair Labor Standards Act of 1938 (FLSA) and ensure the propriety of payments made, time worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process.

### 6.5 Retirement benefits

Employer contributions related to additional compensation paid to employees of the Prosecuting Attorney's office were not paid into the County Employees' Retirement System (CERF), and as a result, the county may have a liability. The additional compensation is paid through the Prosecuting Attorney's Bad Check Fund held by the County Collector-Treasurer.

During the 2 years ended December 31, 2010, the Prosecuting Attorney paid additional compensation totaling \$16,210 to his office employees from the Prosecuting Attorney Bad Check Fund. While this additional compensation was not processed through the normal county payroll process, these payments were reported on W-2 forms and payroll taxes were properly withheld.

In response to our prior audit finding, the Prosecuting Attorney attempted to submit the employer contributions to CERF, but was notified by CERF that employer contributions were required to be remitted from the county treasury and reported in the county payroll system in accordance with Section 50.1020.6, RSMo. The Prosecuting Attorney indicated he requested the County Commission to allow these contributions or the additional compensation to be run through the county payroll system, but his request was denied.

### Similar conditions previously reported

Similar conditions to sections 6.1 through 6.5 were noted in our prior audit report.

### Recommendations

The County Commission:

- 6.1 Maintain documentation of bids to show compliance with state law.
- 6.2 Require fuel use logs be maintained for all county-owned vehicles and equipment, and ensure logs are reviewed for accuracy and



## Henry County Management Advisory Report - State Auditor's Findings

reconciled to fuel purchases. Any significant discrepancies should be investigated.

- 6.3 Enter into written agreements defining services provided and benefits received and continue to pursue collection of amounts due.
- 6.4 Require all hours worked be reported on monthly timesheets and process all payments through the county payroll system.
- 6.5 And Prosecuting Attorney ensure employer contributions are remitted to the CERF.

## Auditee's Response

*The County Commission provided the following written responses:*

- 6.1 *The county will comply with Section 50.660, RSMo, competitively bid out projects, or purchases of \$4500 or more. All bid documentation, and decisions made, as a result of the bids, will be documented and maintained for the period outlined by the Missouri Secretary of State's Retention Schedule.*
- 6.2 *The county began maintaining fuel logs for the Road and Bridge department in January of 2012. The Sheriff's Department will continue to maintain fuel logs, document odometer readings accurately, and investigate discrepancies in the log book.*
- 6.3 *The county began legal proceedings against Jasper County on February 21, 2012, in order to receive compensation for the housing of Jasper County's inmates. Henry County contends that Jasper County has been unjustly enriched by the unpaid portion of the reasonable value of work, labor, and materials supplied by Henry County. Pursuant to Section 221.230 RSMo, it was the duty of Henry County Sheriff Kent Oberkrom to receive and safely keep any prisoners of Jasper County Sheriff Archie Dunn, as Sheriff Dunn made a declaration that the Jasper County Jail was insufficient. Section 221.260 RSMo, requires Jasper County to pay to Henry County the expenses associated with Henry County keeping the aforementioned prisoners.*

*Whatever the result of this litigation, the Henry County Sheriff, through the Commission, will enter into written contracts to house "out of county" prisoners, whose stay is for an extended period of time, beyond normal circumstances.*

- 6.4 *All county employees will receive compensation through the payroll system. It is Henry County Policy (8.10) that department heads work to the best of their ability to reduce overtime/comp time situations. However, all worked hours must be documented on*



## Henry County Management Advisory Report - State Auditor's Findings

*employee time sheets, approved by elected officials, and paid through the county payroll system. It is against Henry County Policy (8.6) for employees of the county to have dual employment. Deputy's can perform training exercises, but in the normal course of employment, that is, receive regular wages or overtime wages, whichever the case may be.*

- 6.5 *The "supplemental wages" paid through the Prosecuting Attorney's Bad Check Fund, are not approved by the County Commission. It is over and above the Henry County Commission's Approved Salary Schedule. The PA's Bad Check Fund is solely controlled by the Prosecuting Attorney. The County Commission does not want to set a precedence allowing office holders with sole controlled funds to be used to supplement wages. By processing these extra wages, the county would pay additional FICA benefits that are not approved by the County Commission.*

### Auditor's Comment

- 6.5 The County Commission should consult legal counsel regarding the county's responsibility and tax liability for funds controlled by other office holders.

## 7. Passport Fees

There is no apparent authority for the County Commission to collect passport fees and some of the fees collected were spent inappropriately.

During the 2 years ended December 31, 2010, the County Commission's secretary processed approximately 646 passport applications and collected approximately \$69,000 in passport processing fees. The county retains \$25 of each passport fee and retained approximately \$17,000 during the 2 years ended December 31, 2010.

In addition, during the 2 years ended December 31, 2010, the County Commission authorized disbursements from passport fees for parties for county employees totaling \$2,781.

Section 483.537, RSMo, states that the clerk of any state court who, by deputy or otherwise, takes or processes applications for passports or their renewal shall account for the fees charged for such service and for the expenditure of such fee in an annual report made to the presiding judge and the office of the state courts administrator. Such fees shall be used only for the maintenance of the courthouse or to fund operations of the circuit court.

A similar condition was noted in our prior audit report.

### Recommendation

The County Commission discontinue collecting passport fees or ensure passport fees are reported and spent in accordance with state law.



Henry County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The County Commission provided the following written response:*

*We will seek legal counsel regarding the legality of the County Commission's office processing passport applications.*

## 8. Public Administrator Controls and Procedures

Cash totaling \$4,000 was not recorded in accounting records and was not deposited. In addition, fees paid to the Public Administrator were not calculated correctly and reviewed for accuracy by the Probate Division. An employee of the Public Administrator's office is not considered a county employee and does not receive county employee benefits as required by state law.

The Public Administrator is the court-appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division, and is responsible for the financial activity of 174 individuals. We reviewed five cases with estate balances totaling \$1,145,946, which represents approximately 56 percent of the total cash balances from all cases at December 31, 2010.

### 8.1 Cash on hand

On October 11, 2011, our review discovered \$4,000 in cash located in a banking envelope in a case file. The ward had documented the balance of the cash (\$4,000) and the date the funds were placed in the envelope (December 13, 2008) on the outside of the envelope. The Public Administrator indicated she was not aware the cash was in the case file and had not recorded these monies in the accounting records maintained for the ward. The Public Administrator was appointed as the ward's personal representative in February 2010, and obtained all assets and records upon the appointment. The Public Administrator subsequently deposited the cash on October 11, 2011.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be recorded and deposited on a timely basis and a thorough review of ward records should be performed.

### 8.2 Fees

Fees were incorrectly calculated, and supporting documentation of the calculation was not provided to the Probate Division by the Public Administrator. In addition, the Probate Division has not established procedures to review the accuracy of fees paid to the Public Administrator.

The Public Administrator charges a 5 percent estate fee on all expenses each month from each estate. We recalculated the estate fees on the five annual settlements reviewed, and noted errors in four of the settlements. Three wards were overcharged a total of \$1,485 while another ward was undercharged \$352.

To ensure fees are calculated correctly, the calculation should be documented by the Public Administrator and submitted to the Probate



## Henry County Management Advisory Report - State Auditor's Findings

Division. Failure to adequately review fees paid to the Public Administrator by the Probate Division increases the risk that errors or misuse of funds could go undetected.

### 8.3 Employee benefit

The full time employee of the Public Administrator's office is not considered a county employee and does not receive county employee benefits as required by state law. The Public Administrator currently pays the full time employee's salary and benefits including vacation leave, holidays, and a pension plan from Public Administrator fees.

Section 473.775, RSMo, requires full-time staff of the Public Administrator's office be considered as employees of the county for purposes of hiring, retirement, benefits, and other laws applicable to county employees.

### Recommendations

The Public Administrator:

- 8.1 Ensure assets of wards are recorded and deposited and a thorough review of ward records is performed.
- 8.2 Ensure estate fees are computed correctly and prepare and maintain written documentation to support fee calculations for all annual settlements submitted to the Probate Division for approval.
- 8.3 Work with the County Commission to ensure employee salaries and benefits are handled in accordance with state law.

### Auditee's Response

*The Public Administrator provided the following written responses:*

- 8.1 *It is the policy of the Public Administrator's office to make timely deposits. Unfortunately, not all clients of the Public Administrator's office are good reporters of their assets or actions. These funds were hidden quite well among documents gathered from the residence. All funds and assets are accounted for when discovered.*
- 8.2 *The Public Administrator's office is pleased to include copies of all administrative cost calculations in all future annual reports.*
- 8.3 *Neither the County Commission nor the Public Administrator was aware of this requirement. All Public Administrator office employee costs are borne by the office. In the near-term future, there will be no full-time employees in the Public Administrator's office. If, in the future funds become available to fund a full-time employee; the full-time employee will be processed through the county as a county employee.*



Henry County  
Management Advisory Report - State Auditor's Findings

*The Associate Circuit Judge provided the following written responses:*

- 8.1 *The Court agrees with this recommendation.*
- 8.2 *The Court agrees with this recommendation. The Court will require written documentation to support fee calculation, and will review those calculations and the annual settlements to ensure that those fees are computed correctly.*
- 8.3 *This matter will need to be resolved between the Public Administrator and the County Commission.*

*The County Commission provided the following written response:*

- 8.3 *Compensation for full time Public Administrator staff will be paid through the county payroll system, when full time employees are hired. The new employee will be designated as a county employee, allowing for the new employee to receive the various benefits offered to other employees.*

## 9. Recorder of Deeds Liabilities

A monthly list of liabilities is not prepared and reconciled to cash balances. We prepared a list of known liabilities for the former Recorder of Deeds bank account as of November 30, 2010, which totaled \$14,204, while the available cash balance was \$16,443, resulting in a difference of \$2,239. The current Recorder of Deeds, who took office January 1, 2011, continued to use the former Recorder of Deeds bank account. We prepared a list of liabilities for the current Recorder of Deeds as of July 31, 2011, which totaled \$11,762, while the available cash balance was \$16,051, resulting in difference of \$4,289. A complete and accurate list of liabilities should be prepared monthly and reconciled to the book balance to ensure records are in balance and sufficient funds are available for payment of all liabilities. Any differences between the monthly lists of liabilities and reconciliations should be investigated and resolved.

A similar condition was noted in our prior audit report.

## Recommendation

The Recorder of Deeds prepare a list of liabilities and reconcile the list to the book balance monthly. Any differences should be investigated and resolved.

## Auditee's Response

*The Recorder of Deeds provided the following written response:*

*I did consider the auditor's request and turned over \$2,000 to the General Revenue account. I will consider the auditor's request to turn over the remaining funds.*





Henry County  
Management Advisory Report - State Auditor's Findings

## 10. Senior Citizens Service Board

The Senior Citizens Service Board does not have written contracts with entities it provides funding to and does not adequately monitor the monies provided. During the 2 years ended December 31, 2010, the Board provided funding totaling \$227,928.

Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. In addition, to ensure funds are properly expended, financial reports documenting how funds are spent should be obtained and reviewed by the Board.

A similar condition was noted in our prior audit report.

### Recommendation

The Senior Citizen's Service Board enter into written contracts for funding requests that clearly detail the services to be performed and the compensation to be paid or benefits received, and require contractors to provide financial reports documenting how funds provided are spent.

### Auditee's Response

*The Senior Citizens Service Board provided the following written response:*

*We have examined our current existing contracts and have changed them to reflect what we believe was asked of us. One of the contracts had already been redone and submitted for a signature in late December 2011, for the 2012 calendar year. We have now received signatures from the other entities we are funding at the present time on a new, more detailed contract.*

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# Henry County

## Organization and Statistical Information

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Henry County is a township-organized, third-class county. The county seat is Clinton.

Henry County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 98 full-time employees and 5 part-time employees on December 31, 2010. The townships maintain county roads.

In addition, county operations include the Senior Citizens' Services Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
Greg Lowe, Presiding Commissioner	\$	34,348
Daniel L. Doll, Associate Commissioner		30,300
Jim Talley, Associate Commissioner		32,340
Becky Raysik, Recorder of Deeds		46,703
Gene Pogue, County Clerk		47,109
Richard Shields, Prosecuting Attorney		109,366
J. Kent Oberkrom, Sheriff		51,960
Dain Sisk, County Coroner		15,720
Kay Holt, Public Administrator (1)		176,938
Maggie Stoddard, County Collector-Treasurer, (2), year ended March 31,	59,714	
James Keck, County Assessor , year ended August 31,		53,798
Jacob Hann, County Surveyor (3)		N/A

- (1) Includes fees from probate cases. The Public Administrator reported \$87,869 of expenses were paid from her fees.
- (2) Includes \$15,814 of commissions earned for collecting city property taxes.
- (3) Compensation on a fee basis.

### Financing Arrangements

The county entered into a lease purchase agreement with First Bank of Missouri on March 1, 2009. The terms of the agreement call for the county to lease the new detention center to First Bank of Missouri, then the bank leases the detention center back to the county with lease payments equal to



## Henry County Organization and Statistical Information

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the amount due to retire the indebtedness. Certificates of Participation totaling \$10,845,000 were issued by First Bank of Missouri on behalf of the county and the proceeds of those certificates were used to provide financing of the costs related to purchasing real estate and constructing, furnishing, and equipping a new detention center. The lease is scheduled to be paid off in 2029. The remaining principal and interest due on the lease at December 31, 2010, was \$10,125,000 and \$5,573,175, respectively. A one-half cent sales tax was approved by the voters in 2008 to provide law enforcement services for the county including purchasing real estate and constructing, furnishing, equipping, operating, and maintaining a new detention center.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

Henry County did not receive any federal stimulus monies during the 2 years ended December 31, 2010.



**Thomas A. Schweich**  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Monroe County



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**June 2012**

**Report No. 2012-48**

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<http://auditor.mo.gov>

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# Monroe County

## Follow-Up Report on Audit Findings

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## THOMAS A. SCHWEICH

### Missouri State Auditor

To the County Commission  
and  
Officeholders of Monroe County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-68, *Monroe County*, issued in September 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the County about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As a part of the AFTER work conducted, we reviewed supporting documentation submitted by county officials, and held discussions with county officials. Documentation provided included the collector's annual settlement, spreadsheets of additions and abatements, listings of levies, and various spreadsheets prepared by the County Clerk to review the property tax information reported by the County Collector. This report is a summary of the results of this follow-up work, which was substantially completed during April 2012.

Thomas A. Schweich  
State Auditor

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# Monroe County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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|--|--|
| 1. Property Tax System Controls and Procedures | As similarly noted in our five prior audit reports, controls and procedures over the property tax system needed improvement. As a result of the significant control weaknesses identified, there was less assurance property tax monies were accounted for properly.   |
| 1.1 Additions and abatements                   | The County Commission and County Clerk did not perform adequate or timely reviews of property tax additions and abatements. The Assessor prepared court orders for additions and abatements, entered them into the tax system, and gave the court orders to the County Commission at the end of the County Collector's fiscal year. The court orders were not signed by the County Commission and changes were made to the property tax system throughout the year without approval of the County Commission. In addition, the County Clerk did not reconcile the court orders for additions and abatements to actual changes made to the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, were not properly monitored and errors or irregularities could go undetected. |

#### Recommendation

The County Commission and Assessor ensure all changes made to the property tax system are supported by court orders approved by the County Commission. In addition, the County Clerk should develop procedures to adequately monitor court orders to ensure only authorized additions and abatements are posted to the property tax system.

#### Status

##### **Implemented**

The County Clerk indicated once a month, the Assessor brings her the court orders for additions and abatements. She stamps and dates each court order and gives it to the County Commission. The Presiding Commissioner signs each court order. The County Collector prepares a spreadsheet of additions and abatements and sends it to the County Clerk. The County Clerk compares each item on the spreadsheet to the court order approved by the County Commission and documents her review. The County Collector indicated she does not have access to enter additions and abatements into the computer system.

- 1.2 Review of property taxes

Neither the County Commission nor the County Clerk adequately reviewed the activities of the County Collector. The County Clerk did not prepare or verify the accuracy of the current or back tax books for real and personal property. The County Collector entered the tax rates, which were obtained from the County Clerk, and extended and printed the current tax books. The County Collector also prepared the back tax books. The County Clerk indicated she reviewed tax rates after entry by the County Collector, but did not maintain documentation of her reviews. Although the County Clerk maintained an account book based on data provided by the County Collector, she



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Monroe County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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did not enter additions and abatelements and therefore could not adequately reconcile with the County Collector's monthly and annual settlements. In addition, the County Commission did not document its review of the County Collector's annual settlements.

## Recommendation

The County Clerk prepare the current and back tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with property tax amounts to be collected. Additionally, the County Commission and County Clerk should perform a thorough review of the County Collector's monthly and annual settlements.

## Status

### **Implemented**

The County Collector enters the levies into the property tax system. Prior to printing the tax books, the County Collector prints a list of the levies entered for each political subdivision in the county. The County Collector and the County Clerk review the list to ensure the correct levies have been entered and document their review. The County Collector prints the tax books and the County Clerk charges the Collector with the taxes. For the year ended February 28, 2012, the County Clerk maintained account books for current taxes, delinquent taxes, and railroad and utility taxes. She indicated she started with charges per the tax books and entered additions and abatelements from the spreadsheets that are compared to the court orders. The differences noted between the County Clerk's account book and the County Collector's annual settlement were insignificant.





# Thomas A. Schweich

Missouri State Auditor

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## City of Hume



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June 2012

Report No. 2012-47

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of the City of Hume

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### Accounting Controls and Procedures

The City Clerk's duties are not adequately segregated, and the Board of Aldermen does not adequately review or supervise the City Clerk's work. The City Clerk bills and records all utility fees; receives and deposits monies; prepares checks, monthly financial reports and bank reconciliations; posts entries to the accounting system; and maintains payroll records. Proper segregation or oversight is necessary to help ensure all transactions are accounted for properly and assets are adequately safeguarded. The method of payment is not consistently recorded on manual receipt slips, the numerical sequence of computerized transaction numbers are not accounted for properly, and the composition of receipts is not reconciled to the composition of deposits. Checks are not issued in numerical order, and the numerical sequence of check numbers is not accounted for properly. The Mayor and one Alderman are authorized signatories on the city bank accounts, but are not bonded; and the monthly reports reviewed by the Board of Aldermen do not contain sufficient information to properly monitor the city's financial activities and condition.

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### Utility System

The city lacked adequate documentation of water and sewer utility rate reviews. In November 2011, the Missouri Department of Natural Resources issued a warning letter requiring the city to make facility improvements. Without documentation of utility rate reviews, the city cannot demonstrate whether utility rates charged will support the costs of providing the utility services, including any improvements needed. Approximately 50 sewer customers may have been underbilled at least once between July and November 2011, and the sewer rates charged are not consistent with city ordinance. The City Clerk is authorized to make adjustments to water and sewer accounts with no independent review or approval, which increases the risk of theft, loss, or misuse. The city should reconcile the total gallons of water billed to customers to gallons of water purchased by the city and investigate large discrepancies.

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### Budgets, Financial Reporting, and Audits

Annual budgets do not contain all elements required by state law, and the Board of Aldermen did not prepare budget amendments to prevent disbursements from exceeding budgeted amounts in the Sewer Fund and the Water Fund in 2011. The city has not submitted an annual financial report to the State Auditor's office since 2008 as required by state law. For the 3 years ended December 31, 2011, the city did not obtain an annual audit of the water and sewer system as required by state law and bond agreements.

Disbursements	The city has no formal bidding policy, and bids are not always solicited and documentation of bids is not always maintained. The city also has no formal written agreement for ditch cleaning and culvert installation services. The Board of Aldermen approved and paid a Christmas bonus of \$250 to each of the city's two employees in December 2011 which violates the Missouri Constitution's prohibition of additional compensation for services previously rendered.
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In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The City of Hume did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# City of Hume

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
Hume, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Hume. We have audited certain operations of the city in fulfillment of our duties. The city engaged Bruce Culley, Certified Public Accountant (CPA), to audit the city's financial statements for the 3 years ended December 31, 2011. We did not review the report or substantiating working papers of the CPA firm since the audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Hume.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kim Spraggs, CPA
In-Charge Auditor:	Joyce Thomson

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# City of Hume

## Management Advisory Report

### State Auditor's Findings

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#### **1. Accounting Controls and Procedures**

Numerous weaknesses were identified in the city's accounting controls and procedures.

##### **1.1 Segregation of duties**

The duties of the City Clerk are not adequately segregated, and the Board of Aldermen does not provide adequate supervision or review of the work performed by the City Clerk. The City Clerk is responsible for all record-keeping duties of the city including billing and recording utility fees; receiving and depositing monies; preparing checks, monthly financial reports, and bank reconciliations; posting entries to the accounting system; and maintaining payroll records. The city's independent audits for 2007 and 2008 also noted inadequate segregation of duties.

Proper segregation of duties helps ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

##### **1.2 Receipt procedures**

Receipt procedures are not sufficient and do not provide assurance all monies collected are accounted for properly. All receipts are entered into the city computer system. The City Clerk also issues manual receipt slips for cash receipts and water deposits and enters those receipts into the computer system.

- The numerical sequence of transaction numbers assigned to receipts by the computer system is not accounted for properly. Our review of collection reports noted several missing transaction numbers. The City Clerk was unable to determine why some transaction numbers were not accounted for on reports generated from the system.
- The composition of receipts is not reconciled to the composition of deposits. Although the City Clerk indicated she enters the method of payment (cash, check, or money order) into the computer system for each receipt, the deposit report generated from the computer system does not include the composition of receipts.
- The method of payment (cash, check, or money order) is not consistently or accurately indicated on manual receipt slips; and the manual receipt slips are generic rather than official prenumbered receipt slips. In addition, there are no procedures to ensure all manual receipts are properly entered into the computer system.

To ensure all monies received are properly accounted for and deposited, the numerical sequence of transaction numbers should be accounted for



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City of Hume  
Management Advisory Report - State Auditor's Findings

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properly, the method of payment should be accurately recorded for each receipt, official prenumbered receipt slips should be used for manual receipts and reconciled to the computer system, and the composition of receipts should be reconciled to the composition of deposits.

### 1.3 Accounting for checks

Checks are not issued in numerical order. The numerical sequence of check numbers is not accounted for and reasons for checks written out of sequence are not documented. The City Clerk explained this problem is due to the number of checks needed at a given time and number of blank checks included on each page of checks run through the printer. We observed some unused single checks.

To ensure all disbursements are accounted for properly and to reduce the risk of misuse of monies, checks should be issued in numerical sequence and the numerical sequence of check numbers accounted for properly.

### 1.4 Bond coverage

Although the Mayor and one Alderman are authorized signatures on the city bank accounts, they are not covered by a bond. Failure to properly bond individuals who have access to funds exposes the city to risk of loss.

### 1.5 Board reports

The monthly reports provided to the Board of Aldermen are not adequate to properly monitor the financial activities and financial condition of city funds. The monthly reports do not include cash balances of each fund or adequate information supporting transfers. To effectively monitor financial activities and the financial condition of city funds, the Board must receive complete monthly reports containing a full and detailed account of transfers and beginning and ending balances.

## Recommendations

The Board of Aldermen:

- 1.1 Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.
- 1.2 Ensure the numerical sequence of transaction numbers are accounted for properly, the method of payment is accurately recorded for each receipt, official prenumbered receipt slips are used for manual receipts and reconciled to the computer system, and the composition of receipts is reconciled to the composition of deposits.
- 1.3 Ensure checks are issued in numerical sequence and account for the numerical sequence of check numbers.
- 1.4 Maintain bond coverage for all officials with access to city assets.





City of Hume  
Management Advisory Report - State Auditor's Findings

- 1.5 Ensure monthly reports received include the financial activities, reasons for fund transfers, cash balances, and the financial condition of all city funds.

## Auditee's Response

*The Board of Aldermen provided the following responses:*

1.1

*&1.5 Beginning for the month of April 2012, additional reports and statements are prepared, reviewed, and approved by the Board. In addition, the Board will establish procedures for an independent review of bank reconciliations.*

1.2 *Effective February 21, 2012, the composition of receipts was added to the utility payments edit report and reconciled to deposits. The Board will review and research the feasibility of purchasing the cash receipt module for the utility system and/or take further action to account for the numerical sequence of receipt slips. In addition, the electronic transaction number will be added to the manual receipt slips.*

1.3 *This recommendation will be implemented immediately.*

1.4 *The Board will check into the cost associated with this bond coverage.*

## 2. Utility System

There are significant weaknesses in city operations related to water and sewer services. As a result, there is less assurance utility rates are set at an appropriate level and properly billed, and monies are handled and accounted for properly. The city provides utility services to approximately 140 customers per month. During the year ended June 30, 2011, the city collected approximately \$83,400 and \$51,900 in water and sewer fees, respectively.

### 2.1 Utility rates

City officials indicated water and sewer rates are reviewed annually; however, documentation supporting rate decisions was not retained or it was not complete. City water rates have not changed for many years, but no documentation could be provided supporting these annual decisions. In addition, documentation retained to support the April 2011 sewer rate increase did not include any analysis of current and future costs of maintaining the sewer system. According to city officials, the sewer system is insufficient to handle city waste water and in November 2011 the Missouri Department of Natural Resources issued a warning letter requiring the city to make the needed facility improvements to meet operating permit requirements. Without maintaining sufficient documentation to support utility rate reviews and increases, the city cannot demonstrate whether utility rates charged to customers are set at a level consistent with the costs of providing the related services.



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City of Hume  
Management Advisory Report - State Auditor's Findings

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Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs, which shows the increase is necessary to cover costs of providing the service. Utility rates should be set to cover the cost of providing the related services and maintain reserves adequate to sustain the system. The city should perform a detailed review of water and sewer costs, including depreciation and debt service costs, and set rates to cover the total cost of operation. Preparing a statement of costs would not only allow the city to determine the rates necessary to support current and future operations, but also provide documentation to customers of the rationale behind the rates.

## 2.2 Sewer fees

Sewer fees are not calculated in accordance with city ordinance or as intended by the Board of Aldermen. The Board does not review sewer fee calculations for accuracy, and as a result, some customers may have been underbilled for sewer services.

Monthly sewer fees are calculated based on customer water usage (gallons) for the corresponding month. Fees are calculated by the city utility system based on rates approved by the Board of Aldermen and programmed into the system by the City Clerk. However, our review of the rates programmed into the utility system when the Board approved new rates effective April 1, 2011, identified some sewer fee calculations were not consistent with the corresponding ordinance or instructions provided to the City Clerk by the Board of Aldermen.

Our analysis noted the questionable fee calculations affect all customers with water usage exceeding 5,000 gallons in a month. A review of July through November 2011 sewer billings noted approximately 50 customers may have been underbilled because their water usage exceeded 5,000 gallons during at least 1 month during the period.

The City Clerk indicated she attempted to program the sewer rates into the utility system based on instructions from the Board of Aldermen, but realized during the audit she had not programmed some of the rates as instructed. As a result, the City Clerk re-programmed those rates in January 2012. However, the rates currently programmed into the system are not consistent with the city ordinance. The City Clerk indicated the Board of Aldermen is currently reviewing this situation and considering revisions to the ordinance.

To ensure sewer fees are proper and calculated as provided by city ordinance, the ordinance should be revised to clearly document the intended method for calculating sewer fees. In addition, procedures should be established to periodically review rates programmed into the utility system for accuracy and compliance with the ordinance.



## City of Hume Management Advisory Report - State Auditor's Findings

### 2.3 Adjustments

Adjustments to customer water and sewer accounts are authorized by the City Clerk, who is also responsible for billings, collections, and posting adjustments to the utility system. There is no independent review and approval of these adjustments. Adjustments to customer accounts for the year ended December 31, 2011, decreased amounts owed by \$934.

An independent review of adjustments to customer accounts is necessary to ensure only the proper accounts and amounts are adjusted and to reduce the risk of theft, loss, or misuse.

### 2.4 Water reconciliations

A reconciliation of the total gallons of water billed to customers to gallons of water purchased by the city is not performed. The city purchases an average of 620,000 gallons of water monthly from Public Wholesale Water Supply District No. 13, but does not calculate how many gallons of water are billed to customers monthly to ensure all water usage is appropriately billed. Our review of water purchases and billings for the month of May 2011 noted the city purchased 484,000 gallons of water and billed customers for 443,700 gallons, a difference of 40,300 gallons, or 8 percent.

Monthly reconciliations of gallons of water billed to gallons of water purchased are necessary to help detect significant water loss and ensure all water use is properly billed. According to the U.S. Environmental Protection Agency, the water industry goal for unaccounted for water is 10 percent or less.<sup>1</sup>

## Recommendations

The Board of Aldermen:

- 2.1 Review utility rates periodically to ensure receipts are sufficient to cover all costs of providing these services and maintain reserves adequate to sustain the system. In addition, the Board should maintain sufficient documentation supporting these reviews and any resulting rate increases.
- 2.2 Revise the sewer rate ordinance as necessary and establish procedures to periodically review rates programmed into the utility system for accuracy and compliance with the ordinance.
- 2.3 Ensure independent review and approval of all utility system adjustments.
- 2.4 Ensure gallons of water purchased is reconciled to gallons billed monthly and investigate any significant differences.

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<sup>1</sup> United States Environmental Protection Agency, "Using Water Efficiently: Ideas for Utilities," <http://www.epa.gov/watersense/pubs/utilities.html>, accessed on March 23, 2012.



City of Hume  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Board of Aldermen provided the following responses:*

- 2.1 The Board will continue to review the water and sewer rates annually and start clearly documenting the review.*
- 2.2 The Board amended the sewer rate ordinance to clarify the current sewer rate calculation, effective May 2012.*
- 2.3 The Board will be provided a monthly report detailing adjustments, effective May 2012.*
- 2.4 The Board is in the process of documenting the reconciliation of meter readings to gallons billed and purchased monthly. The Board will include this reconciliation in the monthly board reports.*

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## 3. Budgets, Financial Reporting, and Audits

The city does not comply with state law regarding budgets, financial reporting, and audits.

### 3.1 Budget preparation

Annual budgets do not contain all elements required by state law. Budgets do not include a budget message, beginning and estimated ending resources, actual and budgeted amounts for the 2 preceding years, or amounts related to the debt of the city. The budgets only include projected receipts and disbursements for the coming year.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and outlines the various information to be included in the budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and utility rates and informing the public about city operations and current finances.

### 3.2 Excess disbursements and budget amendments

For the year ended December 31, 2011, actual disbursements exceeded budgeted amounts by approximately \$24,500 and \$18,000 in the Sewer Fund and Water Fund, respectively. Although the City Clerk began providing the Board of Aldermen a monthly report of budgeted and year-to-date actual receipts and disbursements in April 2011, budget amendments were not prepared when necessary. The city's most recent financial statement audit for the year ended December 31, 2008, also noted the failure to amend the budget.



## City of Hume Management Advisory Report - State Auditor's Findings

Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

### 3.3 Financial reporting

The city does not submit annual financial reports to the State Auditor's office. The most recent report filed was for the city's 2008 fiscal year. Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions. In addition, 15 CSR 40-3.030 requires the annual financial report to be filed within 4 months after the end of the political subdivision's fiscal year if an unaudited financial report is filed and within 6 months after the end of the political subdivision's fiscal year if an audit report prepared by a certified public accountant is filed.

### 3.4 Annual audits

Annual audits of the water and sewer system were not performed for the 3 years ended December 31, 2011. City officials indicated the audits had not been obtained because they had difficulties locating an auditor who could perform the audits on a timely basis and at a reasonable cost and they believed the audit performed by the State Auditor's office would satisfy audit requirements. In January 2012, the city contracted with a CPA firm to audit the city for the 3 years ended December 31, 2011. The City Clerk indicated the audit should be finalized in June 2012.

Section 250.150, RSMo, and bond agreements require the city to obtain annual audits of the combined water and sewer system. In addition to being required by state law and bond agreements, annual audits of city funds help ensure monies are properly handled and financial transactions are properly recorded.

## Recommendations

The Board of Aldermen:

- 3.1 Prepare annual budgets that contain all information as required by state law.
- 3.2 Ensure budget amendments are made when appropriate.
- 3.3 Submit an annual financial report to the State Auditor's office as required by state law.
- 3.4 Obtain annual audits of the water and sewer system as required.

## Auditee's Response

*The Board of Aldermen provided the following responses:*

- 3.1 *The Board will ensure future budgets include required information.*
- 3.2 *The Board will ensure budget amendments are prepared as needed.*



City of Hume  
Management Advisory Report - State Auditor's Findings

3.3 *Annual financial reports will be submitted to the State Auditor's office upon completion.*

3.4 *The city is currently obtaining a financial audit to be completed in June 2012.*

## 4. Disbursements

Some items were not properly bid and employees were paid bonuses.

### 4.1 Bidding Policy and Procedures

The city does not have a formal bidding policy. City officials indicated they generally require bids for goods or services costing over \$500; however, some items and services were not bid and/or adequate documentation maintained.

While city officials indicated they solicited bids for road repair materials (\$9,268), a snow plow (\$5,352), and a security system (\$1,000) through telephone quotes or direct contact with vendors, they retained no documentation showing vendors contacted, prices quoted, and reasons for selecting the winning vendors. City officials did not obtain bids for ditch cleaning and culvert installation services costing \$2,075 during 2011. In addition, the same individual has performed these services for several years without any formal written agreements.

Formal bidding procedures for purchases provide a framework for economical management of city resources. Routine use of a competitive procurement process for major purchases ensures the city has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in city business. Documentation of the various proposals received, and the selection process and criteria should be retained to demonstrate compliance with applicable laws or regulations and support decisions made. Further, written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

### 4.2 Bonuses

The Board of Aldermen approved and paid a Christmas bonus of \$250 to each of the city's two employees in December 2011.

The bonuses appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39, Missouri Constitution, and Attorney General's Opinion No. 72, 1955 to Pray, which states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."



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City of Hume  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The Board of Aldermen:

- 4.1 Establish formal bidding policies and procedures, including documentation requirements regarding the bids and quotes received and justification for the bid selected. In addition, the Board of Aldermen should enter into written agreements when appropriate.
- 4.2 Discontinue granting bonuses to employees.

## Auditee's Response

*The Board of Aldermen provided the following responses:*

- 4.1 *Effective April 2, 2012, the Board established a new purchasing policy to address bid and documentation requirements. In addition, the Board will prepare a standard agreement.*
- 4.2 *After receiving clarification of the Attorney General's Opinion and reviewing the Constitution, the Board decided Christmas bonuses will no longer be given.*

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# City of Hume

## Organization and Statistical Information

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The City of Hume is located in Bates County. The city was incorporated in 1881 and is currently a fourth-class city. The city employed one full-time employee and one part-time employee on December 31, 2011.

City operations include utility services (water and sewer), maintenance of streets, and the city park.

### Mayor and Board of Aldermen

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at December 31, 2011, are identified below. The Mayor and Board of Aldermen do not receive compensation.

Maxine Dixon, Mayor  
Cecil McKinley, Alderman  
Hannibal Hinton, Jr., Alderman  
Jeff Davidson, Alderman  
Keith Irwin, Alderman

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Hume did not receive any federal stimulus monies during the year ended December 31, 2011.





**Thomas A. Schweich**  
Missouri State Auditor

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# North Main/Malone Transportation Development District



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**June 2012**

**Report No. 2012-46**

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**<http://auditor.mo.gov>**



# CITIZENS SUMMARY

## Findings in the audit of the North Main/Malone Transportation Development District

Board of Directors	A new Board of Directors was not elected after the original property owners sold their real property in the district, so annual meetings are not held as required by state law, and the district lacks a body responsible for overseeing its management.
Financial Statements	The district did not timely submit a 2009 financial statement to the State Auditor's office as required by state law. The district may be subject to a maximum fine of \$19,000 for the late filing, but the current law does not establish the agency responsible for assessing and collecting these fines.
Department of Revenue Collections	District sales taxes collected by vendors of the district are remitted to the City of Sikeston instead of the Missouri Department of Revenue. Effective January 1, 2010, Section 28.235, RSMo, requires Transportation Development District sales taxes be remitted to the Department of Revenue.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The North Main/Malone Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# North Main/Malone Transportation Development District

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Carroll Couch, Sikeston City Clerk  
and  
Property Owners,  
North Main/Malone Transportation Development District  
Sikeston, Missouri

We have audited certain operations of the North Main/Malone Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing financial records and other pertinent documents; and interviewing various personnel of the City of Sikeston, as well as certain external parties. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the North Main/Malone Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Joyce Thomson

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# North Main/Malone Transportation Development District

## Management Advisory Report

### State Auditor's Findings

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#### **1. Board of Directors**

The North Main/Malone Transportation Development District (TDD) does not have a board of directors and as a result, required annual meetings are not held. The City of Sikeston currently manages the financial operations of the TDD in the absence of a board. The TDD was established in January 2005, and a board of directors comprised of the property owners and/or their representatives was elected at that time. In September 2007, the original property owners sold all real property located within the district. The members of the Board of Directors were no longer allowed to serve because they were no longer property owners or the representatives of the property owners. Although the property within the district was sold to new owners, a new board of directors was not elected. The main property owner believed the original owners were still responsible for board duties and were conducting regular board meetings.

Article III, Section 5, district by-laws, requires the district to hold an annual meeting of the owners of real property within the district to elect directors to replace those directors whose terms are expiring including those voted to fill vacancies after a director is disqualified. Article V, Section 2, district by-laws, requires the Board of Directors to hold an annual meeting to appoint officers of the district. Without a Board of Directors, there is no policy-making entity to oversee the management of the district.

#### **Recommendation**

The district property owners elect a board of directors composed of owners or representatives of the owners of real property located in the district.

#### **Auditee's Response**

*The North Main/Malone TDD property owners provided the following written response:*

*Greater Missouri Builders will try and set up a board for the TDD and then we will dissolve it.*

*The City of Sikeston provided the following written response:*

*The City will work with the existing property owners in the possible formation and election of board members.*

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#### **2. Financial Statements**

The district did not submit a 2009 financial statement to the State Auditor's office (SAO) timely. The 2009 financial statement was submitted on June 7, 2010, 38 days after it was due. The district may be subject to a maximum fine of \$19,000 for the late filing. However, the law does not establish the agency responsible for assessment and collection authority of these fines (see report no. 2012-13, *Transportation Development Districts*, issued in February 2012) The 2010 financial statement was filed in April 2011, as required.



## North Main/Malone Transportation Development District Management Advisory Report - State Auditor's Findings

Legal counsel of the prior Board previously submitted financial statements to the SAO, but stopped after the property was sold. One of the previous property owners submitted the 2008 financial statement in 2009. The Clerk for the City of Sikeston assumed the financial duties for the district in 2007 and was not aware of the requirement to submit financial statements until the SAO requested financial information in April 2010. The City Clerk then submitted a combined financial statement for the period August 2006 through April 2010.

Section 105.145, RSMo, requires TDDs to file annual financial statements with the SAO. Section 105.148.8, RSMo, states any district that fails to timely submit a copy of the annual financial statement with the SAO shall be subject to a fine not to exceed \$500 per day. 15 CSR-40.30.030 provides if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year end, while an audit report is to be filed within 6 months of the entity's fiscal year end.

### Recommendation

The district property owners file annual financial statements with the SAO timely.

### Auditee's Response

*The North Main/Malone TDD property owners provided the following written response:*

*It appears that we are the only property owner in the district. We have no access to any district funds that are collected and we are not privy to any of the financial information.*

*The City of Sikeston provided the following written response:*

*The City will communicate with any newly formed District regarding requirements for compliance with the RSMos for TDDs.*

## 3. Department of Revenue Collections

District sales taxes collected by vendors of the district are remitted to the City of Sikeston instead of the Missouri Department of Revenue (DOR). Vendors in the district remitted sales tax revenues totaling \$16,857 and \$16,030 during the years ended December 31, 2011 and 2010, respectively, directly to the City of Sikeston. The City Clerk explained he was unaware of the statute change requiring the vendors to remit sales taxes to the DOR. The TDD sales tax revenues have been remitted to the city since the TDD was established in 2005.

Effective January 1, 2010, Section 238.235, RSMo, requires TDD sales taxes to be remitted to the DOR, who then remits the collections to the TDD.



North Main/Malone Transportation Development District  
Management Advisory Report - State Auditor's Findings

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**Recommendation**

The City of Sikeston and district property owners notify vendors to remit district sales taxes to the Missouri Department of Revenue.

**Auditee's Response**

*The North Main/Malone TDD property owners provided the following written response:*

*We are not collecting any TDD sales taxes, nor were we aware that the city of Sikeston was collecting them.*

*The City of Sikeston provided the following written response:*

*The City will communicate with the DOR in order to facilitate future collections.*



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# North Main/Malone Transportation Development District

## Organization and Statistical Information

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The North Main/Malone Transportation Development District (TDD) is located in the City of Sikeston. The North Main/Malone TDD was organized in January 2005 by petition of the City of Sikeston and owners of property within the proposed TDD.

The qualified voters of the TDD, in this case the property owners, approved the imposition of a sales tax of up to 1-cent (1 percent) on all transactions which are taxable within the boundaries of the district. The sales tax is currently expected to remain in effect for 23 years, unless terminated sooner. Through fiscal year 2011, there were only two retail businesses operating within the TDD, therefore, little sales tax revenue was collected. The property within the TDD was sold in September 2007.

The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of acquiring property (right-of-way and/or easements) and constructing transportation and street project improvements with a total cost of approximately \$8.6 million. The Missouri Department of Transportation and the City of Sikeston are the public entities with jurisdiction over these projects. The projects were completed in 2006.

The City of Sikeston issued \$1.7 million in Tax Increment Financing (TIF) bonds, to be funded by revenues from TDD and other TIF revenues, to finance its portion of the related project costs.

### District Board

There is no elected board acting as the policy-making body for district operations. The City of Sikeston currently manages district operations.

### Selected Information on the District

Estimated Project Costs	\$8.6 million
Estimated TDD Duration	23 years
Total Estimated Revenues	\$1.4 million
Sale Tax Rate	1 percent
TDD is within a TIF District?	Yes

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

North Main/Malone Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



North Main/Malone Transportation Development District  
Organization and Statistical Information

Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, follows:

		Year Ended December 31,	
		2011	2010
Receipts:			
Sales taxes	\$	16,857	16,030
Interest		0	45
Total Receipts		16,857	16,075
Disbursements:			
Tax increment financing		15,237	16,144
Total Disbursements		15,237	16,144
Revenues Over (Under) Disbursements		1,620	(69)
Cash Balance, January 1		5,262	5,331
Cash Balance, December 31	\$	6,882	5,262



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Pulaski County



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June 2012

Report No. 2012-45

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<http://auditor.mo.gov>

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# Pulaski County

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Pulaski County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-110, *Pulaski County*, issued in November 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed reports summarizing the status of our recommendations and supporting documentation submitted by county officials. We also held meetings with the Sheriff and the Prosecuting Attorney to seek clarification and review additional documentation. Some of the documentation reviewed included Karpel system reports, bank reconciliations, County Treasurer printouts, payment agreements, bond receipt book, and conceal and carry receipts and disbursements from January through April 2012. This report is a summary of the results of this follow-up work, which was substantially completed during April 2012.

Thomas A. Schweich  
State Auditor

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# Pulaski County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Prosecuting Attorney Procedures

The disposition of receipts totaling \$2,777 was not properly documented. Procedures related to receipts, supervisory review, accounting for bad check complaint forms, and bank reconciliations needed improvement. In addition, fees collected on bad check cases were not properly disbursed.

##### 1.1 Receipts

Accounting records were not sufficient to verify the disposition of 19 receipts totaling \$2,777.

- Receipts were not deposited intact and some receipts were not recorded in the accounting system or deposited. While receipt slips were written when monies were received, the monies receipted were not reconciled to monies recorded in the accounting system or to monies deposited. Monies received were not always deposited intact with other receipts.

Our review of January 2009 through July 2011 receipts identified 59 receipts totaling \$8,034 that were not deposited or recorded in the accounting system. However, the disposition of these receipts was not adequately documented. When monies received were forwarded to another Prosecuting Attorney's office or a Circuit Court, or were returned to the offender, documentation such as a receipt slip was not obtained to verify the disposition of the monies. Confirmation responses received from four individuals indicated seven payments totaling \$818 were not returned as indicated in the accounting records. Ultimately, documentation was not sufficient and we could not verify the disposition of 19 receipts totaling \$2,777.

- Receipts were not recorded in the accounting system or deposited timely.
- Money orders were not restrictively endorsed immediately upon receipt.

#### Recommendation

The Prosecuting Attorney ensure all monies received are recorded timely in the accounting system, deposited intact timely, and disbursed by official check. In addition, monies receipted should be reconciled to entries in the accounting system and to the monies deposited. Money orders should be restrictively endorsed immediately upon receipt.

#### Status

##### **Implemented**

The Prosecuting Attorney indicated all monies received are recorded in the BounceBack or Karpel/Quickbooks case management systems within 1 day of receipt, and receipts are deposited intact daily unless monies on hand are not significant. All monies are disbursed weekly by official check. The Prosecuting Attorney spot checks, on a monthly basis, that monies receipted are recorded in the case management system and deposited. Finally, the Prosecuting Attorney implemented a policy that all money orders received



Pulaski County  
Follow-up Report on Prior Audit Findings  
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be restrictively endorsed immediately upon receipt and has obtained a restrictive endorsement stamp for that purpose.

## 1.2 Supervisory review

Accounting duties were not adequately segregated. The Prosecuting Attorney did not perform detailed reviews to ensure all monies received were properly deposited, recorded in the accounting system, and disbursed to the appropriate party.

### Recommendation

The Prosecuting Attorney perform and document supervisory reviews of the receipting, recording, and disbursing functions.

### Status

#### **Implemented**

The Prosecuting Attorney spot checks, on a monthly basis, that monies receipted are recorded in the case management system and deposited, and ensures the monthly disbursement total agrees to the monthly receipt total. The Prosecuting Attorney also performs and documents reviews of the monthly bank reconciliations for all bank accounts including investigation of adjustments and other reconciliation differences. The Prosecuting Attorney indicated disbursement checks require the signature of two of the office's prosecutors.

## 1.3 Tracking procedures

An adequate system to account for the disposition of all bad checks submitted to the Prosecuting Attorney's office for collection was not established.

### Recommendation

The Prosecuting Attorney develop procedures and records that provide sufficient information to track the disposition of all bad check complaints filed.

### Status

#### **Implemented**

The Prosecuting Attorney indicated that beginning in January 2012, all complaint forms are recorded upon receipt in the Karpel case management system which assigns a case number. The case number is recorded on the complaint form to ensure appropriate collection or court filing actions occur for all complaints received.

## 1.4 Bank reconciliations

Bank reconciliation procedures were not adequate to ensure accounting records agreed with bank records, errors were discovered on a timely basis, and outstanding checks were followed up on properly.

### Recommendation

The Prosecuting Attorney ensure bank reconciliations are prepared and reviewed timely. In addition, the Prosecuting Attorney should investigate and resolve unreconciled differences on the bank reconciliations and follow up on outstanding checks.



Pulaski County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Status**

**Implemented**

The Prosecuting Attorney indicated bank reconciliations are prepared and reviewed timely. In addition, he ensures reconciling items are investigated and resolved in a timely manner. Outstanding checks are reviewed annually in January for any check outstanding for at least a year. A distribution is made to the state Unclaimed Property Fund if payees cannot be located. The Prosecuting Attorney indicated all unreconciled differences had been identified and corrected and any new instances of unreconciled differences must be resolved before he will close out his review of the bank reconciliation. We reviewed bank reconciliations for the BounceBack and Karpel/Quickbooks case management systems for the month of January 2012. The Prosecuting Attorney's review was documented by a cover memo and was performed between 4 and 8 weeks after the end of the month. The review of the bank reconciliations indicated there were no outstanding checks written prior to January 2011.

**1.5 Bad check fees**

The county had not made required payments to the Missouri Office of Prosecuting Attorneys (MOPS) for fees collected on bad check cases since January 2007, and as a result, owed MOPS \$17,754 as of August 31, 2011.

**Recommendation**

The Prosecuting Attorney remit \$17,754 to the Missouri Director of Revenue for MOPS fees previously collected, and remit MOPS fees monthly as required by state law.

**Status**

**In progress**

The MOPS liability for January through August 2011 totaled \$2,891 and was paid to MOPS from the Prosecuting Attorney User Fund in September 2011. The County Treasurer indicated that since September 2011, monthly payments have been made to MOPS related to the BounceBack case management system.

In addition, the Prosecuting Attorney's office also remits weekly payments to MOPS for cases initiated after January 2012 that are tracked by the Karpel/Quickbooks case management system. Copies of the checks and supporting documentation are provided to the County Treasurer for the county's records.

The County Commission signed an agreement in April 2012 with MOPS which requires the county to remit the \$14,863 unpaid balance to MOPS by December 31, 2012. Funds have been budgeted in the Prosecuting Attorney User Fund for this purpose.

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**2. Sheriff Procedures**

Procedures related to inmate monies, supervisory reviews, receipts, deposits, disbursements, and bank accounts needed improvement.





Pulaski County  
Follow-up Report on Prior Audit Findings  
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## 2.1 Inmate monies

Cash totaling \$1,392, was held in the Sheriff's vault in trust for inmates as of June 28, 2011. Cash on hand held for inmates was \$200 less than the balances recorded on the inmate account logs. A reconciliation of monies on hand in the inmate envelopes to the inmate manual account logs was not performed.

Receipt slips were issued when inmate monies were received, and a manual account log was used to document cash held in the Sheriff's safe in trust for inmates and the release of monies from the safe to the inmates. However, some monies receipted were not recorded on the inmate logs and inmate signatures were not always obtained to document authorization to disburse monies. Some monies were released to inmates immediately upon receipt for use in the jail commissary vending machines. These receipts and disbursements were not recorded in the inmate logs or verified by inmate signatures. In addition, although inmate signatures were obtained when inmates withdrew monies for use in the jail vending machines, signatures were not obtained when monies were withdrawn to purchase prepaid telephone cards.

## Recommendation

The Sheriff deposit all inmate monies in an official bank account and ensure inmate monies are accounted for properly by recording all inmate monies received on the inmate account log and requiring the inmate signatures on the logs each time monies are withdrawn. In addition, the Sheriff should implement procedures to ensure independent reconciliations are periodically performed between monies held in trust for inmates and the inmate account logs.

## Status

### **Not implemented**

The Sheriff indicated inmate monies are still maintained in cash envelopes in the jail safe. The jail staff have been instructed to ensure all monies received are receipted and recorded on the inmate log and all monies disbursed are signed for by the inmates. However, the Sheriff did not believe the inmates were signing the receipts or the inmate log documenting their purchase of telephone cards and he has not performed any supervisory reviews to ensure the procedures are properly followed. No independent reconciliations of monies held in trust to the inmate account log totals have been performed. The Sheriff indicated he plans to implement an independent verification of receipts to inmate logs and an independent periodic reconciliation between monies held in trust for inmates and the inmate account logs.

## 2.2 Supervisory review

Accounting duties were not adequately segregated for civil service, inmate monies, or conceal and carry monies. The Sheriff did not perform detailed reviews to ensure all monies received were properly deposited or placed in the respective inmate's cash envelopes, recorded in the accounting records, and disbursed to the appropriate party.



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## Recommendation

The Sheriff perform supervisory reviews to ensure receipt slips in the inmate, conceal and carry, and control receipt books are accounted for properly and agree to monies deposited, transmitted, or recorded in the inmate account logs.

## Status

### **Partially implemented**

The duties of accounting for civil service and inmate monies have not been subjected to supervisory reviews. The Sheriff indicated he plans to implement an independent verification of civil service and inmate receipts to deposits or a record on the inmate logs.

The Sheriff indicated procedures for conceal and carry receipts have changed and monies are transmitted to the County Treasurer daily. The Treasurer indicated she deposits the monies daily and accounts for the numerical sequence of the Sheriff's Department receipt slips to ensure all monies received have been remitted and reconciles the receipt slip total to the monies transmitted.

## 2.3 Receipts

Receipt procedures needed improvement.

- The Sheriff issued unnumbered receipt slips for cash bonds received at the jail.
- Receipt slips were not issued for inmate monies until February 2011.
- The numerical sequence of receipt slips for civil paper service, inmate monies, and conceal and carry permits were not accounted for properly.

## Recommendation

The Sheriff issue prenumbered receipt slips immediately on receipt of all monies received. In addition, the Sheriff should account for the numerical sequence of receipt slips.

## Status

### **Partially implemented**

The Circuit Court has provided prenumbered bond receipt books for recording cash bonds and court personnel are responsible for accounting for the numerical sequence of the receipt slips transmitted to the court.

Inmate monies are now receipted; however, an independent verification of the numerical sequence of receipt slips is not performed.

An independent verification of the numerical sequence of receipt slips is not performed for civil paper service.

The Sheriff indicated he plans to implement an independent verification of civil paper service and inmate receipts to deposits or a record on the inmate



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logs which will also include accounting for the numerical sequence of receipt slips.

Conceal and carry receipts are receipted by the Sheriff's Department on prenumbered receipt slips and remitted daily to the County Treasurer along with a copy of the initial receipt slip. The County Treasurer initials the Sheriff's copy of each receipt slip when monies are remitted and accounts for the numerical sequence of the Sheriff's Department receipt slips to ensure all monies received have been remitted.

## 2.4 Deposits

Civil paper service fee receipts, which may have included payments in the form of cash, were held for long periods of time and were not deposited intact or timely. The deposit and transmittal of state and county conceal and carry permit fees are not performed at the same time.

## Recommendation

The Sheriff deposit all monies intact timely and distribute monies by official check.

## Status

### **Partially implemented**

Civil paper service monies are not deposited at the time of receipt but are held until paper service has been performed. When civil paper service cannot be performed, the original payment (check, money order, or cash) is returned to the payee rather than depositing the monies and issuing a refund check from the official bank account. The Sheriff indicated he plans to implement an independent verification of civil paper service receipts to deposit or other ultimate disposition.

Although not deposited by the Sheriff's Department, some improvement was made with conceal and carry receipts. Monies are receipted by the Sheriff's Department and remitted daily to the County Treasurer for deposit along with a copy of the initial receipt slip and a report of monies collected. The County Treasurer receipts the monies on a county receipt slip and initials the Sheriff's copy of each receipt slip. The County Treasurer accounts for the numerical sequence of the Sheriff's Department receipt slips to ensure all monies received have been remitted and reconciles the receipt slip total to the monies transmitted. The County Clerk's office prepares disbursement of the state's portion of the fees to the Missouri State Highway Patrol after ensuring amounts billed by the state have been deposited into the Sheriff's Revolving Fund and are available for disbursement.

## 2.5 Disbursements

Monies were not disbursed on a timely basis.

- In July 2011, cash totaling \$293 was held in the safe for 17 inmates that had been released from jail.



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- A \$400 electronic funds transfer received from the Social Security Administration on October 22, 2010, had not been turned over to the County Treasurer as of July 2011.
- Interest totaling \$1,106 earned on the bank accounts had not been turned over to the County Treasurer as of July 2011.

## Recommendation

The Sheriff ensure attempts are made to resolve unpaid balances of closed inmate accounts and inmate account balances are disbursed when an inmate is released. If the payees cannot be located, these monies should be disposed of in accordance with state law. In addition, the Sheriff should turn over all receipts and interest to the Treasurer monthly.

## Status

### Partially implemented

The Sheriff indicated the \$400 Social Security Administration receipt was turned over to the County Treasurer. Cash held for inmates that are no longer incarcerated is still held in the jail safe. Interest earned on the bank accounts has not been turned over to the County Treasurer.

The Sheriff indicated he plans to have a clerk attempt to locate the former inmates and disburse their funds or remit the monies to the state Unclaimed Property Fund. In addition, he plans to instruct the office staff to disburse interest earned to the County Treasurer monthly for accounts that make regular monthly distributions or annually if regular monthly distributions do not occur.

## 2.6 Inactive bank account

The Sheriff had two old inactive bank accounts which should be closed.

- The old inmate account used prior to 2010 for holding inmate monies received had a balance of \$2,560 as of May 31, 2011.
- The old fee account had a balance of \$945 as of December 31, 2010. This balance consisted of 47 checks which had been outstanding over a year.

## Recommendation

The Sheriff ensure bank reconciliations are prepared for all old bank accounts monthly. In addition, the Sheriff should investigate unidentified balances and follow up on old outstanding checks in the bank accounts. Unclaimed monies should be disposed of in accordance with state law, and the accounts should be closed.

## Status

### Not implemented

The Sheriff indicated no action has been taken to ensure bank reconciliations are prepared for these inactive accounts or that valid payees are located so that monies due to them can be paid out. The Sheriff indicated



Pulaski County  
Follow-up Report on Prior Audit Findings  
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he plans to have a clerk begin reconciling these accounts, locating payees, and disbursing funds to located payees or to the state Unclaimed Property Fund. The accounts will be closed when this work is completed.



Thomas A. Schweich  
Missouri State Auditor

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# STATEWIDE

## Year End Spending Practices



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June 2012  
Report No. 2012-44

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Year End Spending Practices

### Background

Entities are granted the authority to spend public monies through appropriations. Regular appropriations not spent by the end of the fiscal year lapse on June 30 and are no longer available to be spent by the entity. This audit was conducted to determine if the state follows sound financial and management practices with respect to year end spending. The audit focused on the 2 years ended June 30, 2011. Auditors identified agencies that spent 25 percent or more of the agency's General Revenue Fund total expenditures in May and June from numerous object codes. Auditors selected five of these agencies for audit: Department of Corrections; Office of Administration; Department of Mental Health; Department of Revenue; and Judiciary - Supreme Court and Office of State Courts Administrator. While the audit did not identify instances of wasteful spending, the audit did identify examples of purchases made at year end that: 1) were expedited and paid before due; 2) resulted in higher than normal inventory levels; 3) were charged to the state's General Revenue Fund instead of agency controlled dedicated funds; and 4) were not placed into service in a timely manner.

Our audit noted that agencies purchase goods and services toward the end of the year for a wide variety of reasons with some reasons appearing more legitimate than others. Some state employees that contacted us indicated unnecessary year end spending occurs, and that lapsing funds could result in future funding cuts. Missouri does not have specific laws, rules, policies or procedures directly related to year end spending, but the federal government adopted the "bona fide needs" rule which requires that appropriations be used only to meet legitimate needs arising during the appropriation's fiscal year. In other words, federal agencies are prohibited from using up a current year appropriation for purchases that are not needed for that year's use, and the Office of Administration should consider providing state agencies with guidance on the appropriate use of remaining appropriations at year end.

### Department of Corrections (DOC)

The DOC spent \$313,198 on handheld radio telephones and accessories on June 23, 2011, but as of November 4, 2011, the radio telephones were not in use because the necessary programming services had not yet been procured. Similarly, the DOC purchased a replacement washer extractor costing \$103,925 on June 26, 2011, but, because its installation required building modifications, 7 months later it had not yet been installed. The DOC used almost \$500,000 of General Revenue Fund appropriations, originally intended for other DOC divisions, to pay for various Missouri Corrections Integrated System (MOCIS) project deliverables because project costs exceeded the MOCIS appropriation. The DOC also paid off five leases early; the state saved \$12,600 in interest by paying off four of the leases but realized no savings for paying off the fifth. The DOC spent over \$2 million in May/June 2010 and 2011 for supplies and clothing, which resulted in higher than normal inventory levels.

Office of Administration (OA)	<p>The OA wrote a fiscal year 2010 check for \$45,625 on June 23, 2010, but held the check for nearly 3 months because the project was not complete. An OA employee e-mailed the vendor stating, "As we are at the end of the fiscal year, we need to issue a check for this project to ensure that we don't lapse the funding. We will hold this check in our safe until the project is complete." The Code of State Regulation does not allow advance payment of goods or services not yet received and provides that services provided in the next fiscal year cannot be charged to the prior year appropriation.</p> <p>The OA used General Revenue Fund monies to make an advance payment of \$288,000 on the State Data Center lease, which should have been made from a dedicated fund. The OA also transferred payments of approximately \$1.6 million for a unified communications system from a dedicated fund to the General Revenue Fund. In June 2010, the OA spent \$393,000 from the General Revenue Fund for telephones and network components, but the telephones were not installed until September/October in fiscal year 2011. The OA paid off a lease early because General Revenue Fund monies were available; the state realized no interest savings by doing so.</p>
Office of State Courts Administrator (OSCA)	The OSCA paid for recurring network data line charges that were not incurred until the subsequent fiscal year. The data line charges contract states that payments will only be made in arrears; advance payments are not allowed.
Department of Mental Health (DMH)	The DMH paid off a 5-year loan for equipment 3 months after loan origination. The early payoff saved \$7,729 in interest costs but did not have to be made from the current year appropriation.
Department of Revenue (DOR)	The DOR issued a check for \$85,458 on June 24, 2011, for various hardware components, but the components were not delivered and the check was not released until September 30 of the next fiscal year. The DOR purchased significant amounts of postage at year end, resulting in higher than normal inventory levels. The last two Reserve Account purchases of fiscal year 2011 increased postage levels to over \$600,000 at year end, and these purchases subsidized postage usage for all of July 2011 and into August 2011. Similarly, it appears more than \$100,000 in excess postage was purchased for a United States Postal Account at the end of fiscal year 2010. The DOR purchased significant amounts of cigarette tax stamps at year end, resulting in higher than normal inventory levels.
American Recovery and Reinvestment Act (Federal Stimulus)	Not Applicable.



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# Year End Spending Practices

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Doug Nelson, Acting Commissioner  
Office of Administration  
Jefferson City, Missouri

We have audited the state's Year End Spending Practices. This audit was conducted to determine if the state's year end spending practices are in accordance with sound financial and management practices. The objectives of our audit were to:

1. Evaluate internal controls over significant management and financial functions, including controls to detect and prevent unnecessary year end spending.
2. Evaluate the economy and efficiency of the state's year end spending practices.
3. Evaluate compliance with certain legal provisions.

We determined the state does not have legal provisions, rules, policies, or procedures directly related to appropriate use of spending authority remaining toward year end and should consider implementing additional controls to ensure year end purchases are made in accordance with sound financial and management practices. While the audit did not identify instances of wasteful spending, the audit did identify examples of purchases made at the end of the year that 1) were expedited and paid before due, 2) resulted in higher than normal inventory levels, 3) were charged to the state's General Revenue Fund instead of agency controlled dedicated funds, and 4) were not placed into service in a timely manner.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Randy Doerhoff, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Matthew Schulenberg, CFE
	Erica Joannes

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# Year End Spending Practices

## Introduction

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### Background

The Missouri General Assembly and the Governor grant legal authorization to make expenditures. No expenditures are permitted unless spending authority is granted by an appropriation. Regular appropriations not spent by year end lapse on June 30. Section 33.065, RSMo, states, "No appropriation shall confer authority to incur an obligation after the termination of the fiscal year to which it relates."

The state Office of Administration (OA) has implemented various fiscal practices that control the rate of spending throughout the fiscal year. The state financial system, Statewide Advantage for Missouri (SAM II), identifies and rejects expenditures or encumbrances that exceed the available balance of an appropriation. In addition, allotments establish spending controls over appropriations for each 3-month quarter of the fiscal year. Any portion of the allotment period that is unexpended or unencumbered in one quarter is available in the next quarter. Each fiscal year, the OA, Division of Budget and Planning (DBP), will determine the percent allocated by quarter, which is generally 40 percent allocated in the first quarter, with 20 percent allocated in the second, third, and fourth quarters of the fiscal year. Some agencies are allowed allocation percentage flexibility between quarters, and the OA, DBP authorizes such agency requests. However, the OA does not mandate how agencies manage their appropriations or have specific controls in place directly related to year end spending.

In addition, during the appropriation process, some agencies are allowed a specified percentage of flexibility in spending between personal service and expense and equipment appropriations. The OA, DBP authorizes agency transfer requests between these appropriations.

The OA also has various Codes of State Regulations (CSR) which provide guidance to the appropriateness of agency payments, such as 1 CSR 10-3, Preapproval of Claims and Accounts, and 1 CSR 10-11, Travel Regulations. In addition, the OA has developed various statewide policies regarding specific types of agency payments, such as state travel and agency provided food.

When faced with annual budget reductions and Governor withholdings, agencies may feel more pressure to spend remaining funds at year end to avoid a budget reduction in future years. Such thinking may result in inefficient and ineffective procurements at year end. This audit was conducted to determine if state year end spending practices are in accordance with sound financial and management practices.

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### Scope and Methodology

The scope of our audit included internal controls over significant management and financial functions and compliance issues in place during the 2 years ended June 30, 2011.



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## Year End Spending Practices

### Introduction

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Our methodology included analyzing SAM II system financial data; reviewing correspondence of and conducting interviews with appropriate agency officials and staff; and testing selected transactions.

To evaluate state internal controls related to year end spending and significant management and financial functions, we interviewed OA officials and reviewed OA financial policy and procedure manuals.

To evaluate the economy and efficiency of agencies' year end spending and certain management practices and operations, we obtained and analyzed data files from the SAM II system. We focused this analysis on the state's General Revenue Fund (GRF) and American Recovery and Reinvestment Act of 2009 Budget Stabilization Funds for the 2 years ended June 30, 2011, because most other state funds are dedicated funding for specific agencies and while unexpended appropriations from the dedicated funding lapse, the agencies retain the cash balances in those dedicated funds.

We analyzed GRF expenditures from SAM II object codes that appeared to be more susceptible to year end spending, such as commodity and service object codes, with expenditures of more than \$20,000 during the year. We identified multiple agencies with numerous object codes with expenditures of 25 percent or more of their GRF total expenditures during the months of May and June. We selected five of these agencies to include in our audit work based on the dollar amount of expenditures related to those object codes. The five agencies included the Department of Corrections, OA, Department of Mental Health, Department of Revenue, and the Judiciary - Supreme Court and Office of State Courts Administrator. The tables in Appendix A represent the object codes identified with expenditures totaling more than \$20,000 during the fiscal year, and with 25 percent of the total object code expenditures occurring during May and June of 2011 and 2010 for these five agencies.

For the five agencies, we scanned SAM II expenditure detail information of certain object codes, focusing on payment dates, amounts, vendors, and expenditure description, and judgmentally selected individual payments to test. We reviewed 152 and 127 individual payments totaling approximately \$21.9 million and \$11.8 million for fiscal years 2011 and 2010, respectively. While our report details issues noted with several of these payments, we also noted other similar concerns that are not included in our report because they were less significant.

Utilizing the work performed during our analysis of SAM II detail information, we identified expenditures to test at each of the five agencies. We reviewed the supporting documentation for the payments and discussed the payments with appropriate agency personnel to determine the items or



## Year End Spending Practices Introduction

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services purchased at year end were necessary for the agencies' current operations.

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# Year End Spending Practices

## Management Advisory Report

### State Auditor's Findings

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#### **Agencies' Year End Spending**

Our audit noted that agencies purchase goods and services toward the end of the year for a wide variety of reasons, with some reasons appearing more legitimate than others. Some state employees that contacted us indicated unnecessary year end spending occurs, and that lapsing funds could result in future funding cuts. Since the state does not have specific laws, rules, policies, or procedures directly related to appropriate expenditures of funds at year end, definitive criteria were not readily available to conclude if specific purchases were made in accordance with sound financial and management practices. Our audit did not identify widespread instances of wasteful spending; however, our report consists of various examples of year end purchases at the agencies we audited and reasons given by agency officials for making those purchases. In some cases, the purchases appear to have been disbursed to prevent the lapse of appropriated funds.

#### **Lack of laws, policies, and procedures**

While the state does not have specific laws, rules, policies, or procedures directly related to year end spending practices, the federal government has adopted a rule, known as the bona fide needs rule, which requires that an appropriation may only be used to meet a legitimate need arising during an appropriation's fiscal year. The federal rule requires that federal agencies not make an effort to use up a current year's appropriation for purchases that are not necessary for that year's use.

Appropriations are frequently fully or almost fully spent by year end. At June 30, 2011, 270 of the 717 regular and biennial General Revenue Fund (GRF) fixed appropriations (38 percent) were fully spent, and another 100 (14 percent) of the appropriations lapsed less than \$10. Of the 58 regular and biennial American Recovery and Reinvestment Act of 2009 (ARRA) Budget Stabilization Funds fixed appropriations, 40 (69 percent) were fully spent, and another 2 (3 percent) of the appropriations lapsed less than \$10. At June 30, 2010, 294 of the 733 regular and biennial GRF fixed appropriations (40 percent) were fully spent, and another 105 (14 percent) of the appropriations lapsed less than \$10. Of the 138 regular and biennial ARRA Budget Stabilization Funds fixed appropriations, 86 (62 percent) were fully spent, and another 12 (9 percent) of the appropriations lapsed less than \$10.

During the course of the audit, we received comments from state employees which indicated unnecessary year end spending occurs. In addition, agency personnel and comments received from state employees provided some legitimate reasons for significant year end spending. These reasons include fiscal constraints due to the state's economic crisis and Governor's withholdings that can occur as late as March or April. For example, state agency personnel indicated management may intentionally decide to spend less during the first three quarters of the fiscal year in the event withholdings occur. After Governor's withholdings are announced and



## Year End Spending Practices Management Advisory Report - State Auditor's Finding

agencies are sure of remaining appropriations, they purchase needed items, if funds are available.

While our test work determined the agencies generally had a legitimate need for the items or services we reviewed, we noted examples of year end purchases that could have been made from subsequent year appropriations.

### DOC significant year end purchases

Equipment purchased but not placed into service in a timely manner

We noted the following instances of significant year end spending at the Department of Corrections (DOC).

The DOC purchased equipment which could not be placed into service due to programming and building modification requirements. Examples of equipment purchases include:

- The DOC purchased 550 handheld radio telephones and accessories on June 23, 2011, totaling \$313,198, for various facilities. DOC personnel indicated the equipment was purchased to become compliant with the Federal Communications Commission (FCC) mandate for narrowband compatibility. The equipment was received by the DOC on June 20, 2011, to be allocated to each of the correctional facilities based on their size and security level. The equipment required programming to be performed before it was operational, which was to be accomplished through further bidding and contracting by the OA. As of November 4, 2011, an OA, ITSD employee stated the bidding phase of the programming contract had not yet begun; therefore, approximately 4 months after the purchase of the equipment, the radio telephones had not yet been placed into service.
- The DOC purchased a washer extractor on June 26, 2011, totaling \$103,925, for the Western Reception, Diagnostic and Correctional Center (WRDCC). The new equipment was purchased to replace existing equipment; however, according to DOC management, it was unknown at that time the equipment's specifications would require building modifications prior to installation. According to an OA, Facilities Management, Design and Construction (FMDC) employee, the OA, FMDC had to investigate the work required to modify the building for the installation and determine whether the OA, FMDC had the personnel and expertise to perform the work or whether the work should be contracted out.

A Request for Proposals for installation of the washer extractor was issued by the DOC on November 8, 2011, with bids due on December 1, 2011. According to DOC management, as of January 26, 2012, the contract has been awarded and work is scheduled.





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Year End Spending Practices  
Management Advisory Report - State Auditor's Finding

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Therefore, the washer extractor will not be installed until at least 7 months after purchase.

The state does not have specific guidance to determine if it is proper to make payments at year end for equipment which will not be placed into service in a timely manner.

Missouri Corrections  
Integrated System (MOCIS)  
project

The DOC used \$498,000 of GRF appropriations, originally intended for other DOC divisions, to pay for various MOCIS project deliverables. The \$498,000 was paid from the GRF because project costs exceeded available funding in the Inmate Revolving Fund (IRF) MOCIS appropriation.

The DOC fiscal year 2009 budget request included a new decision item to replace the DOC offender management information system with a new web-based MOCIS. The goal of the MOCIS is to provide for easier exchange of offender data with other state and law enforcement agencies and to track agency activity and performance. The decision item requested approximately \$10.5 million from the IRF to fund the MOCIS. The Governor recommended the requested funding from the IRF but transferred the project to the OA, ITSD budget.

In April, May, and June 2011, we noted multiple email conversations between DOC and OA employees discussing using DOC GRF appropriations to pay for various MOCIS project deliverables. The DOC and OA, ITSD entered into an inter-agency spending delegation agreement in May 2011 which allowed the OA, ITSD authority to access specific DOC GRF appropriations not previously transferred to OA, ITSD in the consolidation budgeting process. Pursuant to this agreement, we noted payments processed in June 2011 totaling \$188,702 from three DOC GRF appropriations for numerous MOCIS deliverables, including healthcare; release and discharge; Ftrack (probation and parole field supervision); and housing, security, and scheduling. We also noted journal vouchers processed in June 2011 totaling \$309,298 to transfer portions of 12 previous payments of various MOCIS deliverables made between the months of November 2010 and April 2011 from the IRF to the GRF.

The email conversations between DOC and OA employees identify the reason for transferring the payments from the IRF to the GRF as a declining balance in the IRF MOCIS appropriation. According to DOC management, there was not enough remaining in the IRF MOCIS appropriation to complete a module relating to Probation and Parole Board operations that was deemed critical. However, DOC management stated they recognized there would be lapsed GRF appropriations of the Substance Abuse Services within the Division of Offender Rehabilitative Services (DORS) and it was determined these appropriations could be expended on the development of the MOCIS healthcare module. By doing so, the DOC utilized the



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remaining IRF appropriation on the Probation and Parole Board operations module. While the DORS appropriations covered \$448,000 of MOCIS deliverables including healthcare and housing, security, and scheduling, a Probation and Parole GRF appropriation covered \$50,000 in other MOCIS deliverables, including Ftrack and release and discharge.

The state does not have specific guidance to determine if it is proper to make payments at year end from GRF appropriations for goods and services routinely purchased from agency dedicated funds.

### Lease payoffs

Some early lease payments were made at the end of fiscal year 2010. DOC management stated the leases were paid off early because GRF monies were currently available and the increased possibility of cuts in future years due to the current budget situation may not allow for future payments. While this practice saved the state interest of approximately \$12,600 that would have been owed on some future payments, there was no savings from one lease payoff and the early payments did not have to be made from the current year appropriation. Examples of lease payoffs made by the DOC include:

- In May 2010, the DOC paid off four separate vehicle leases for 42 vehicles totaling \$333,975. The four leases were entered into in May 2007, April 2008, and June 2009, with lease terms of 5 years and total financing of \$605,459. Final payments on two of the leases were due in May 2012, whereas the other two leases were due in May 2013 and May 2014. Interest savings of approximately \$12,600 were realized by paying the leases early.

All four leases were entered into using the state's Master Lease Services contract. The Master Lease is a capital lease because the state has title to the property after the lease term is complete. The contract is for all state agencies' use and financing may be entered into for eligible tangible property and software, including computer equipment, office equipment, telecommunications or telephone systems, printing and typesetting equipment, vehicles, laboratory and medical equipment, airplanes, and portable structures, and to refinance current lease/purchase agreements held by the state.

- In June 2010, the DOC paid off the lease financing portion of the Jefferson City Correctional Center (JCCC) telephone system totaling \$26,430. The lease agreement was entered into in 2008, and as of June 10, 2010, there were 12 payments remaining. According to DOC personnel, there was no interest related to this lease; therefore, the state realized no savings from the early payoff of the phone system.



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The state does not have specific guidance to determine if it is proper to make payments early (before they are due) to use appropriations before they lapse. This practice allows an agency to use funds remaining at the end of the year, thereby potentially increasing available funds in future years for other purposes. In addition, this practice allows an agency to spend its entire appropriation authority and obtain additional equipment with a lease/purchase agreement.

### Missouri Vocational Enterprises payments

DOC payments were issued to the DOC, Division of Offender Rehabilitative Services, Missouri Vocational Enterprises (MVE) program in May and June 2011 totaling approximately \$2.4 million and in May and June 2010 totaling approximately \$2.3 million. These payments represent 47 percent and 30 percent of all DOC payments to the MVE in fiscal years 2011 and 2010, respectively. DOC management claimed the facilities must maintain supplies and clothing on hand that can be provided to the inmates, and that each facility is allowed to purchase this type of supply as they deem necessary as long as funding is available. These purchases resulted in higher than normal inventory levels.

The state does not have specific guidance to determine if it is proper to purchase inventory items at year end that will result in higher than normal inventory levels.

### OA significant year end purchases

We noted the following instances of significant year end spending at the Office of Administration (OA).

#### Held check

The OA generated but held a fiscal year 2010 check totaling \$45,625 for 3 months because the project was not completed until fiscal year 2011. This project was for a biometric finger reading security system at the DOC. OA, FMDC personnel performed the bidding of this project and issued the project contract with authorization to proceed on June 4, 2010. The project had an expected completion date of August 9, 2010.

On June 10, 2010, an OA, FMDC employee sent an email to the vendor stating, "As we are at the end of the fiscal year, we need to issue a check for this project to ensure that we won't lapse the funding. We will hold this check in our safe until the project is completed. In order to issue this check, we need to get a final invoice." An OA, FMDC manager indicated he believed the job was almost complete at year end and that the final close out information was all OA, FMDC was waiting on; therefore, a check was cut on June 23, 2010. However, included in the supporting documentation for this payment was a contract change form dated June 17, 2010, seven days after the email was sent to the vendor requesting a final invoice, stating the completion date of the project was still August 9, 2010. The check was eventually released to the vendor on September 16, 2010, almost 3 months after the check was issued.



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Section 1 Code of State Regulation (CSR) 10-3.030(2)(J) does not allow advance payment of goods or services not yet received. In addition, 1 CSR 10-3.010(3)(B) states claims for services provided in the next fiscal year cannot be charged to the prior year appropriation. Each CSR includes exceptions to these requirements, including when payment in advance is the normal business practice, such as for subscriptions, registrations, memberships, insurance, postage, maintenance agreements, and building or parking rentals, or if required as a condition of the sale or by contract. However, this payment does not fall within the exceptions allowing advance payment of goods or services. Because the expected completion date of this system was not during fiscal year 2010, and the check was held for almost 3 months after the end of the fiscal year, the invoice should not have been paid from a fiscal year 2010 appropriation.

### Transfer of GRF monies

GRF monies were paid to a dedicated fund at the end of fiscal year 2010 to help make an advance payment on the State Data Center lease. The State Data Center operations are appropriated from the dedicated fund. OA management stated the payment was made because GR funds were available.

As evidenced through emails between an OA, ITSD employee and an OA, Division of Accounting employee, in June 2010, OA, ITSD personnel made the decision to initiate an interagency billing transaction resulting in payment of \$288,000 from the GRF (approximately the amount remaining in the Information Technology Consolidation expense and equipment appropriation) to the OA Revolving Administrative Trust Fund (RATF) for an advance payment on its State Data Center mainframe lease. The interagency billing payment was processed on June 28, 2010, and an advance lease payment of approximately \$883,400 was disbursed from the OA RATF on that same day.

The \$288,000 should not have been paid from the GRF because the operations of the State Data Center are appropriated from the OA RATF. In addition, the OA, ITSD processed four quarterly payments in fiscal year 2011, all from the OA RATF.

The state does not have specific guidance to determine if it is proper to make payments at year end from GRF appropriations for goods and services routinely purchased from agency dedicated funds.

### Unified communications system design and installation

The OA transferred payments for a unified communications system from a dedicated fund to the GRF.

In 2010, the state began the process of implementing a unified communications system which converts an outdated communications environment to a modern communications system. The initial payment and



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first quarterly finance payment of the design and installation of this system were paid from the OA RATF, Telecom Revolving Fund appropriation in the months of February, March, April, and May 2011. This appropriation funds operations of the centralized telephone billing system used by state agencies. However, the OA processed journal vouchers on May 31, 2011, to transfer these payments to the GRF Information Technology Consolidation appropriation which funds the operations of the OA, ITSD. The payments transferred totaled approximately \$1.6 million. According to OA management, these payments were originally intended for payment from the GRF; however, due to uncertainty in the cash available in the GRF, the payments were instead made from the OA RATF. The OA did not provide documentation to support the contention that the costs should have originally been paid from the GRF, and the 2010 and 2011 budgets did not include any discussion of the unified communications system.

By adjusting the payments from the RATF to the GRF, the OA effectively reduced the GRF Information Technology Consolidation expense and equipment appropriation lapsed balance to \$209. These payments are routinely made from the OA RATF appropriation because it funds operations of the centralized telephone billing system. In addition, according to OA management, beginning in fiscal year 2012, earnings from the unified communications system are credited to the newly created Revolving Information Technology Trust Fund, and quarterly finance payments of the unified communications system will be paid from the telephone billing system receipts. However, the first quarter 2012 finance payment was also made from the GRF.

The state does not have any guidance to determine if it is proper to make payments at year end from GRF appropriations for goods and services routinely purchased from agency dedicated funds.

Unified communications  
system telephones

In the last month of fiscal year 2010, the state made a payment from GRF appropriations for 1,537 telephones and network components for the unified communications system totaling approximately \$393,000. These payments are routinely made from the OA RATF appropriation because it funds operations of the centralized telephone billing system. According to OA management, the telephones were not installed until September and October 2010, during fiscal year 2011.

The state does not have specific guidance to determine if it is proper to make payments at year end from GRF appropriations for goods and services routinely purchased from agency dedicated funds. In addition, the state does not have specific guidance to determine if it is proper to make payments at year end for equipment which will not be placed into service in a timely manner.



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Lease payoff

A lease was paid off at the end of fiscal year 2011. OA management stated the payment was made because GRF monies were available.

In June 2011, the OA, Administrative Hearing Commission (AHC) made the decision to pay off its lease for unified communications telephones. A payment of \$4,738 was processed on June 23, 2011, seven days prior to the end of the year. The payment included both the May monthly service charges for the telephones, as well as the lease payoff of approximately \$4,000. According to an email between OA, ITSD employees and an OA, AHC employee, the monthly lease payments would have continued for an additional 72 months if the lease was not paid off at this time. It appears the OA, AHC realized no interest savings by paying off this lease early.

While this amount is small compared to other examples in our report, it shows that even an agency with a small operating budget makes an effort to find ways to expend remaining funds at year end.

The state does not have specific guidance to determine if it is proper to make payments early (before they are due) to use appropriations before they lapse. This practice allows an agency to use funds remaining at the end of the year, thereby potentially increasing available funds in future years for other purposes.

OSCA significant year end  
purchase

We noted the following instance of significant year end spending at the Office of State Courts Administrator (OSCA).

Network data line charges

The OSCA paid for recurring network data line charges that were not incurred until the subsequent fiscal year.

In both fiscal years 2011 and 2010, the OSCA paid for various network data line charges of Missouri's courts system that related to subsequent fiscal years. In June 2011, the OSCA paid approximately \$96,000 for July 2011 data line charges (fiscal year 2012). In June 2010, the OSCA paid approximately \$231,000 for July and August 2011 data line charges (fiscal year 2011). The OSCA data line charges contract states payments will only be made in arrears, thus advance payments are not allowed. In addition, while data line charges were typically allocated between the GRF and the Court Automation Fund, the August charges were paid entirely from the GRF.

OSCA management indicated because of looming budget issues, paying for the monthly charges in advance was the most beneficial course of action. OSCA management was expecting a reduction in the 2011 court automation budget of over \$1 million; therefore, there was a strong possibility that funding might not be available in fiscal year 2011 to make the July and August 2010 payments. As a result, the OSCA made the July and August



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2010 payments with fiscal year 2010 funds. OSCA management further indicated an additional \$1 million withhold was requested for fiscal year 2012. Thus, not knowing the impact this may have to court automation and the vital nature of data lines to the operation of all courts in Missouri, OSCA management stated the July 2011 payment was made with fiscal year 2011 funds because the funding was available.

The state does not have specific guidance to determine if it is proper to make payments early (before they are due) to use appropriations before they lapse. This practice allows an agency to use funds remaining at the end of the year, thereby potentially increasing available funds in future years for other purposes.

DMH significant year end  
purchase

We noted the following instance of significant year end spending at the Department of Mental Health (DMH).

Commercial loan payoff

In June 2011, the DMH made the decision to pay off a commercial loan for transcription equipment and a document management system to create medical record documents at the Fulton State Hospital (FSH). The 5-year loan originated in March 2011 after the system became operational, with the total cost to be financed of \$136,881. Quarterly payments were required, with the first payment due on May 1, 2011, and the final payment due on February 1, 2016. Prior to this payoff, the DMH had made its first payment of \$6,748 in April 2011, thereby reducing the balance owed to \$130,408. According to DMH management, the \$130,408 payoff occurred because funds became available and it was deemed in the best interest of the state to pay the loan off early.

DMH management stated the purchase was necessary to replace the old hardware and software system that was obsolete, and the decision to acquire a replacement system was made in calendar year 2010. DMH management also stated that prior to fiscal year 2011, the FSH had begun each year with unpaid bills from the previous year due to the demands of operating beyond the hospital's funded bed capacity. Given the budget history of the facility, DMH management indicated a lease/purchase was the only feasible path to fund the replacement. However, after this purchase decision was made, inpatient redesign was announced and implemented at the facility which downsized the facility's staff and number of beds, generating savings that could be used to eliminate the debt.

As a result, the DMH paid off the 5-year loan 3 months after the loan originated and during the same fiscal year in which the loan began. While the early payoff avoided interest costs of \$7,729 on future payments, the loan payoff did not have to be made from the current year appropriation.



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The state does not have specific guidance to determine if it is proper to make payments early (before they are due) to use appropriations before they lapse. This practice allows an agency to use funds remaining at the end of the year, thereby potentially increasing available funds in future years for other purposes.

### DOR significant year end purchases

#### Held check

We noted the following instances of significant year end spending at the Department of Revenue (DOR).

Our review identified an instance where the DOR held a check issued on June 24, 2011, totaling \$85,458 (\$50,986 from GRF appropriations), for various hardware components related to an upgrade of the Transaction Management System software. However, the hardware components were not delivered and installed until September 2011, and the check was released to the vendor the following day. Therefore, the payment should not have been from fiscal year 2011 appropriations.

According to DOR personnel, the project was approved during early calendar year 2011, with the vendor anticipating delivery of the hardware components during fiscal year 2011. DOR personnel stated there was a delay in delivering the hardware due to the vendor's other contract commitments, resulting in the hardware not being delivered and installed until September 29, 2011, and the check being released the following day. The vendor invoice was dated June 24, 2011, three months prior to the completion of the project.

The OA's 1 CSR 10-3.030(2)(J) does not allow advance payment of goods or services not yet received. In addition, 1 CSR 10-3.010(3)(B) states claims for services provided in the next fiscal year cannot be charged to the prior year appropriation. Each CSR includes exceptions to these requirements, including when payment in advance is the normal business practice, such as for subscriptions, registrations, memberships, insurance, postage, maintenance agreements, and building or parking rentals, or if required as a condition of the sale or by contract. However, this payment does not fall within the exceptions allowing advance payment of goods or services. Because the revised expected completion date of delivery and installation of the hardware components was not until September 29, 2011, the invoice should not have been paid from fiscal year 2011 appropriations.

#### Postage

The DOR purchased significant amounts of postage at year end. For our review of year end postage purchases, we considered whether they were necessary to maintain normal inventory levels so DOR mailing operations were not disrupted.

DOR personnel indicated the year end postage purchases were made to maintain an adequate level of postage inventory on hand for the remainder





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of the fiscal year, as well as for the time period in July of the subsequent fiscal year when the SAM II system would not be available to make additional purchases. However, examples of excessive postage purchases which resulted in higher than normal levels include:

- Postage on hand in the Reserve Account prior to the last two purchases of fiscal year 2011 was approximately \$33,000. On June 21 and June 28, 2011, postage totaling \$573,000 was purchased increasing postage levels to over \$600,000 at June 30, 2011. The DOR used \$330,000 in postage during the month of July 2011 and made no purchases of postage that month. However, at July 30, 2011, over \$276,000 in postage remained. Thus the DOR subsidized postage usage for the entire month of July 2011 and into August 2011 with these two year end purchases.
- Postage on hand in the Reserve account prior to the last purchase of fiscal year 2010 was approximately \$39,000. On June 28, 2010, postage of approximately \$188,000 was purchased increasing postage levels to over \$220,000 at June 30, 2010. The DOR used \$130,000 in postage between July 1 and July 10, 2010. Taking into consideration the \$39,000 on hand in the account without the last year end purchase, only approximately \$81,000 of the \$188,000 purchased at year end appeared necessary. Thus approximately \$107,000 in unneeded postage was purchased at the end of fiscal year 2010. This excess postage covered postage usage in this account until July 20, 2010, at which time an additional \$300,000 in postage was purchased.
- Postage on hand in a United States Postal Account prior to the last purchase of fiscal year 2011 was approximately \$175,000. An additional \$250,000 was purchased on June 16, 2011, increasing the balance in this account to approximately \$425,000. The DOR used only about \$153,000 in postage between June 17, 2011, and July 29, 2011. Thus, the \$175,000 on hand prior to the June 16, 2011, purchase was adequate to cover the postage needs of this account for the remainder of June 2011 and the entire month of July 2011, and the \$250,000 purchase was unnecessary.

The state does not have specific guidance to determine whether it is proper to purchase inventory items at year end that will result in higher than normal inventory levels.

### Cigarette stamps

The DOR purchased significant amounts of cigarette tax stamps at year end. For our review of these purchases, we considered whether the year end purchases were necessary to maintain normal inventory levels so DOR operations were not disrupted.



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Pursuant to Section 149.015, RSMo, a tax is levied upon the sale of cigarettes in the state of Missouri. Additional taxes are levied upon the sale of cigarettes within the City of St. Louis and Jackson County. Every vendor engaged in the business of selling cigarettes in the state of Missouri must pay the tax and receives in exchange cigarette tax stamps, furnished by the DOR, which are affixed to the cigarette packages as proof of payment. All cigarette packages must be stamped before being sold in the state.

DOR personnel indicated the year end purchase was made to replenish cigarette tax stamps sold during the year. We examined inventory levels at year end compared to purchases made and inventory sold throughout fiscal years 2010 and 2011, and noted higher than normal inventory levels existed due to the year end purchases.

The DOR purchased cigarette tax stamps costing approximately \$248,000 at the end of the fiscal year 2010 with the intent to sell the stamps the following fiscal year. This purchase resulted in cigarette tax stamp inventory levels as of June 30, 2010, being higher than the amount of stamps sold during fiscal year 2010 for most stamp types. A similar situation occurred in fiscal year 2011, with the DOR purchasing cigarette tax stamps costing approximately \$324,000 in June 2011.

The state does not have specific guidance to determine if it is proper to purchase inventory items at year end that will result in higher than normal inventory levels.

### Conclusion

State agencies appear to make an effort toward the end of the year to identify remaining GRF appropriations and use those available funds instead of allowing them to lapse. Some agency personnel claim this is the result of fiscal constraints due to the state's economic crisis and the potential for Governor's withholdings. This practice also occurs because the state does not have laws, rules, policies, or procedures directly related to appropriate use of spending authority remaining toward year end and does not have internal controls to ensure year end purchases are made in accordance with sound financial and management practices. Absent such controls, the audit identified examples of purchases made at the end of the year that 1) were expedited and paid before due, 2) resulted in higher than normal inventory levels, 3) were charged to the state's general fund instead of agency controlled dedicated funds, and 4) were not placed into service in a timely manner. The state should consider implementing additional controls to ensure agencies make sound financial and management decisions regarding items or services purchased at year end.

### Recommendations

The OA consider legislation, regulations, policies or procedures to provide guidance to state agencies on the proper use of GRF appropriations at year end. In addition, the OA should consider implementing additional controls



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to ensure year end purchases are made in accordance with sound financial and management practices. At a minimum, the guidance should address expediting payments before due, higher than normal inventory levels, the usage of the state's general fund instead of agency controlled dedicated funds, and items not placed into service in a timely manner.

## Auditee's Response

*After an audit of year end spending practices of four departments covering a two year period, the audit "did not identify instances of wasteful spending." In fact, it was found that "the agencies had a legitimate need for the items or services reviewed." As noted in the audit, there are legitimate reasons for year end spending by departments, including the need to delay spending to manage agencies' budgets to determine what funds, if any, will be accessible for the remainder of the fiscal year.*

*There are good reasons for increased year end spending that demonstrate prudent financial management. An example referenced repeatedly in the audit is the payment of outstanding obligations. OA is supportive of reducing interest costs at any time and supportive of reducing the balance of outstanding obligations if possible. This activity is consistent with Missouri's conservative approach to financing and the State's AAA bond rating.*

*OA will continue to monitor and will consider the audit findings and recommendations regarding year end spending practices in conjunction with existing laws, regulations, and policies that provide meaningful guidance related to the expenditure of state funds.*

Appendix A-1

Year End Spending

Department of Corrections Object Codes - 2 Years Ended June 30, 2011

Year Ended June 30, 2011			Year Ended June 30, 2010		
Object Code Description	May and June Expenditures	Percent of May and June Expenditures	Object Code Description	May and June Expenditures	Percent of May and June Expenditures
Non mainframe software consulting and development	498,000	100%	Other medical and laboratory equipment	87,430	100%
Non mainframe computer software	133,377	100%	Major building/facility repair services	66,380	100%
Site improvements	67,409	100%	Other electronic and photographic equipment	277,282	99%
Computer software maintenance, licenses, and subscription fees	51,904	99%	Vehicles	555,365	93%
Other fixed assets	560,739	98%	Organization memberships	42,554	85%
Laundry equipment	171,683	97%	Other assistance payments	109,500	75%
Law enforcement equipment	105,290	95%	Vehicle leases, capital	340,513	74%
Other electronic and photographic equipment	140,094	93%	Other specific use equipment	74,366	70%
Organization memberships	42,924	92%	Medical and dental equipment	61,828	70%
Other specific use equipment	196,126	86%	Lab and medical equipment repair and maintenance	38,285	70%
Office equipment	63,452	85%	Electrical supplies	83,228	66%
Other motorized equipment	55,408	85%	Photographic equipment	61,708	64%
Other assistance benefits	108,250	82%	Other fixed assets	146,483	59%
Vehicles	33,190	80%	Agriculture/grounds maintenance-non automotive	39,548	59%
Food service equipment	462,057	78%	Communication equipment leases, capital	138,411	56%
Medical and dental equipment	85,100	72%	Reproduction and printing equipment	78,878	53%
Other equipment repair and maintenance	16,576	69%	Under threshold-other equipment	419,613	53%
Under threshold-other equipment	907,642	68%	Food service equipment	342,078	50%
Clothing supplies	739,933	61%	Publications and subscriptions	18,416	48%
Electronic equipment	105,758	60%	Other specific use supplies	453,700	47%
Agriculture/grounds maintenance-non automotive	27,048	58%	Uniforms and clothing	357,631	42%
Personal care supplies	199,861	57%	Other laboratory and medical supplies	141,332	39%
Reproduction and printing equipment	40,492	51%	Building repair supplies	16,990	36%
Other laboratory and medical supplies	185,516	51%	Office equipment	21,496	35%
Uniforms and clothing	222,171	47%	Agriculture/grounds supplies	43,149	34%
Other residential supplies	57,540	45%	Printing and binding services	29,322	34%
Under threshold-office equipment and furniture	127,611	44%	Under threshold-office equipment and furniture	73,650	33%
Laboratory equipment	57,327	43%	Telecommunication supplies	12,141	32%
Education supplies	27,377	43%	Project management fees	9,793	31%
Meeting room/exhibit space rentals	11,067	43%	Communication equipment repair and maintenance	143,782	30%
Building repair supplies	51,569	43%	Custodial supplies	831,048	30%
			Clothing supplies	771,509	29%

Appendix A-1

Year End Spending

Department of Corrections Object Codes - 2 Years Ended June 30, 2011

Year Ended June 30, 2011			Year Ended June 30, 2010		
Object Code Description	May and June Expenditures	Percent of May and June Expenditures	Object Code Description	May and June Expenditures	Percent of May and June Expenditures
Recreational vehicles	13,957	43%	Food service supplies	276,631	27%
Specific use equipment repair and maintenance	57,166	39%	Security services	9,444	27%
Convention, conference, and training fees	37,376	38%	Law enforcement supplies	113,811	27%
Law enforcement supplies	136,455	38%	Food services	87,815	26%
Printing and binding services	26,337	36%	Mailing services	19,674	25%
Laundry and linen supplies	169,496	36%	Office furniture and equipment rentals	15,386	25%
Custodial supplies	701,031	35%			
Publications and subscriptions	12,235	34%			
Food service supplies	400,303	34%			
Mechanical supplies	39,529	33%			
Agriculture/grounds equipment	21,975	33%			
Express and freight services	37,099	33%			
Other specific use supplies	301,228	32%			
Security services	10,184	27%			
Other repair and maintenance supplies	35,271	27%			
Laboratory and medical equipment repair and maintenance	17,444	26%			
Food services	29,997	26%			
Vehicle repair supplies	81,358	26%			
Medical and dental supplies	72,533	25%			

Appendix A-2

Year End Spending

Office of Administration Object Codes - 2 Years Ended June 30, 2011

Year Ended June 30, 2011			Year Ended June 30, 2010		
Object Code Description	May and June Expenditures	Percent of May and June Expenditures	Object Code Description	May and June Expenditures	Percent of May and June Expenditures
Communication equipment repair and maintenance	1,801,487	100%	Mainframe computer equipment leases, capital	288,000	100%
Photographic services	27,476	100%	Program consultant services	24,897	100%
Educational services	32,200	99%	Under threshold-office equipment and furniture	400,474	95%
Under threshold-computer equipment	885,930	93%	Other miscellaneous expense	20,928	86%
Non mainframe computer software	72,150	87%	Non mainframe computer equipment over threshold	777,985	84%
Other business services	22,325	82%	Information technology network and communication equipment over threshold	71,717	76%
Under threshold-office equipment and furniture	36,765	54%	Computer software maintenance, license and subscription	2,199,155	50%
Non mainframe computer equipment leases, capital	431,410	53%	Information technology consulting and services	844,424	49%
Information technology outsourcing	11,623	52%	Under threshold-non mainframe computer software	83,024	37%
Non-mainframe computer equipment over threshold	43,246	47%	Under threshold-computer equipment	284,431	36%
Under threshold-non mainframe computer software	84,866	42%	Major building/facility repair services	73,580	33%
Professional court services	18,677	41%	Non mainframe computer software	22,657	32%
Organization memberships	16,920	34%	Inmate, patient, and student payments	25,039	32%
Leasehold improvements, operating	28,290	29%	Office supplies	39,033	28%
Non mainframe software consulting and development	321,846	28%	Information technology support	42,012	26%
Telecommunication charges	75,033	27%			
Computer software maintenance, license and subscription	1,047,738	27%			
Program reimbursements	747,896	26%			

Appendix A-3

Year End Spending

Department of Mental Health Object Codes - 2 Years Ended June 30, 2011

Year Ended June 30, 2011			Year Ended June 30, 2010		
Object Code Description	May and June Expenditures	Percent of May and June Expenditures	Object Code Description	May and June Expenditures	Percent of May and June Expenditures
Communication equipment leases, capital	130,408	95%	Network circuit line charges	31,275	97%
Electronic equipment	16,037	74%	Architectural and engineering services	126,811	76%
Reproduction and printing equipment	44,349	66%	Food service equipment	19,508	52%
Medical and dental equipment	12,609	48%	Under threshold-office equipment and furniture	35,606	49%
Under threshold-office equipment and furniture	42,841	47%	Medical and dental equipment	15,042	48%
Custodial equipment	10,667	47%	Education supplies	13,723	25%
Other professional services	10,603,353	46%	Agency provided food	10,445	25%
Minor repair, maintenance, and improvement services	16,354	38%			
Food services	241,138	37%			
Food service equipment	34,672	37%			
Specific use equipment repair and maintenance	31,158	36%			
Under threshold-other equipment	177,427	35%			
Other health services	6,140,000	34%			
Other repair and maintenance supplies	19,794	32%			
Other specific use supplies	35,511	32%			
Advertising services	25,779	32%			
Building repair supplies	44,534	31%			
Convention, conference, and training fees	14,375	28%			
Law enforcement equipment	16,172	28%			
Uniforms and clothing	5,597	26%			
Rehabilitative services	20,077	25%			
Recreational supplies	13,818	25%			

Appendix A-4

Year End Spending

Department of Revenue Object Codes - 2 Years Ended June 30, 2011

Year Ended June 30, 2011			Year Ended June 30, 2010		
Object Code Description	May and June Expenditures	Percent of May and June Expenditures	Object Code Description	May and June Expenditures	Percent of May and June Expenditures
Non mainframe computer software	148,728	100%	Under threshold-non mainframe computer software	27,006	100%
Office equipment	53,314	100%	Non mainframe computer equipment over threshold	20,745	100%
State Data Center mainframe usage charges	22,889	100%	Under threshold-office equipment and furniture	18,175	65%
Under threshold-non mainframe computer software	34,884	96%	Office supplies	258,958	45%
Other professional services	308,974	78%	Collection services	193,852	44%
Computer software maintenance, licenses, and subscription fees	64,205	64%	Other equipment repair and maintenance	56,571	39%
Printing and binding services	361,505	52%	Vehicles	14,039	33%
Other equipment repair and maintenance	68,602	47%	Resale merchandise	597,432	28%
Resale merchandise	1,095,923	42%			
Leasehold improvements, operating	8,502	40%			
Publications and subscriptions	20,942	36%			
Postage	1,537,808	35%			
Office supplies	107,877	34%			
Appropriated transfers out	5,946,457	34%			
Telecommunication charges	88,539	26%			



Appendix A-5

Year End Spending

Judiciary Object Codes - 2 Years Ended June 30, 2011

Year Ended June 30, 2011			Year Ended June 30, 2010		
Object Code Description	May and June Expenditures	Percent of May and June Expenditures	Object Code Description	May and June Expenditures	Percent of May and June Expenditures
Vehicles	28,948	100%	Information technology consulting and services	35,176	100%
Under threshold-computer equipment	901,388	97%	Mainframe equipment over threshold	314,434	97%
Non mainframe computer equipment over threshold	296,962	96%	Under threshold-non mainframe computer software	64,133	94%
Under threshold-office equipment and furniture	58,630	91%	Non mainframe computer equipment over threshold	65,818	82%
Computer hardware repair and maintenance	835,257	85%	Leasehold improvements, operating	19,750	79%
Organization memberships	160,479	78%	Minor repair, maintenance, and improvement services	32,619	78%
Under threshold-non mainframe computer software	41,570	69%	Computer software maintenance, licenses, and subscription fees	849,112	65%
Postage	32,734	61%	Organization memberships	67,584	57%
Computer software maintenance, licenses, and subscription fees	643,086	46%	Computer hardware repair and maintenance	300,667	55%
Convention, conference, and training fees	13,523	45%	Under threshold-computer equipment	55,510	53%
Parking leases	45,790	39%	Under threshold-office equipment and furniture	22,417	47%
Office supplies	33,342	36%	Printing and binding services	9,177	45%
Security services	22,449	34%	Convention, conference, and training fees	14,896	44%
Office furniture and equipment repair and maintenance	9,077	30%	Security services	16,065	41%
Network circuit line charges	329,992	27%	Postage	30,416	40%
Telecommunication charges	8,873	26%	Library materials and supplies	103,862	38%
Library materials and supplies	119,409	25%	Network circuit line charges	437,325	35%
Collection services	303,500	25%	Other communication charges	14,400	33%
			Parking leases	42,310	33%
			Publications and subscriptions	93,012	30%
			Office furniture and equipment repair and maintenance	10,480	30%
			Office supplies	26,113	30%
			Program reimbursements	60,677	25%



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Sullivan County, Missouri

The Office of the State Auditor, in cooperation with Sullivan County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2010, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Kevin G. Hudson, Certified Public Accountant, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

June 2012  
Report No. 2012-43

**SULLIVAN COUNTY, MISSOURI  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2010**

# Sullivan County, Missouri

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## **Independent Auditors' Report**

To the County Commission of  
Sullivan County, Missouri  
Milan, Missouri

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sullivan County, Missouri, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed more fully in Note 1, the County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2010 and 2009, and the respective changes in financial position-cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 1, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments*, as of December 31, 2010 and 2009. The County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## **Independent Auditors' Report (Concluded)**

In accordance with *Government Auditing Standards*, I have also issued my report dated May 3, 2012, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information, budgetary comparison information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Sullivan County, Missouri. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Original Signed by Auditor**

Kevin G. Hudson, C.P.A.  
Trenton, Missouri  
May 3, 2012

**Sullivan County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

The discussion and analysis of Sullivan County's financial performance provides an overall review of the County's financial activities for the years ended December 31, 2010 and 2009. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, including the notes to the financial statements, to enhance their understanding of the County's financial performance.

**Financial Highlights**

Key financial highlights for 2010 and 2009 are as follows:

- The county's total governmental revenues exceeded total expenditures by \$123,475 for the year ended December 31, 2010. The total revenues exceeded governmental expenditures by \$257,951 for the year ended December 31, 2009.
- The county's governmental funds ended the year ended December 31, 2010 with a combined cash balance of \$1,076,168 and the year ended December 31, 2009 of \$952,693.
- County revenues for the year ended December 31, 2010 of \$2,857,130 decreased by \$396,346 over the county revenues for the year ended December 31, 2009 of \$3,253,476.
- County expenditures for the year ended December 31, 2010 of \$2,733,655 decreased by \$261,870 over the county expenditures for the year ended December 31, 2009 of \$2,995,525.

**Overview of the Financial Statements**

The contents of this report comply with the presentation requirements of Statement No.34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.



**Sullivan County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities - activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities-activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-24 of this report.

**Sullivan County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

Other Information

This report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedules for all governmental, special revenue funds and capital projects funds - cash basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Government-wide Financial Analysis**

Below is a chart showing assets, receipts and disbursements for the years ended December 31, 2010 and 2009.

	<u>Year Ended December 31,</u> <u>2010</u>	<u>2009</u>
Net Assets	\$1,076,168	\$ 952,693
Program Receipts	1,425,251	1,924,277
General Receipts	1,431,879	1,329,199
Disbursements	2,733,655	2,995,525
Change in Net Assets	123,475	257,951

For the two years disclosed in the audit, the change in Net Assets is primarily due to the increase in the General Revenue Fund, Road and Bridge Fund and the 911 Fund. These funds had combined net assets of \$888,764 in 2009 as compared to \$1,007,552 in 2010. Program receipts decreased in 2010 due to the Road and Bridge Fund grant that was received and expended in 2009. General receipts did not fluctuate much between 2009 and 2010. Expenditures decreased in 2010 due to the Road and Bridge Fund grant project that occurred in 2009.

**Financial Analysis of the County's Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

**Sullivan County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

As of December 31, 2010, the county's governmental funds reported combined ending fund balances of \$1,076,168, an increase of \$123,475 over the prior years fund balance of \$952,693. The unreserved portion of fund balance was \$226,135 for 2010 and \$208,773 for the year ended 2009. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the County. At the end of the fiscal year 2010, unreserved fund balance of the General Fund was \$226,135 and the unreserved fund balance of the General Fund for fiscal year 2009 was \$208,773. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The unreserved fund balance of the General Fund increased by \$17,362 for fiscal year 2010 as compared to an increase of \$66,758 for fiscal year 2009.

**County Revenue Fund Budgeting Highlights**

The County's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the County Revenue Fund.

The original and final budgeted revenues for the general fund were \$1,262,900 for 2010 and \$1,273,210 for 2009. The original and final budgeted expenditures were \$1,351,024 for 2010 and \$1,285,757 for 2009.

**Economic Factors and Next Year's Budgets**

The county sales taxes and property taxes have increased slightly in the past two years, which is a positive sign for revenue growth.

The County's General Fund has increased \$84,120 over the two year period that was audited. This is encouraging due to the current economic times. The increased costs for fuel, materials, equipment, utilities, and operating expenditures continues to be a source of concern as well as the general state of the economy.

**Sullivan County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jackie Morris, County Clerk, 109 North Main Street, Milan, Missouri 63556, (660) 265-3786.

## **GOVERNMENT WIDE FINANCIAL STATEMENTS**

**Sullivan County, Missouri**  
**Government Wide Statement of Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,076,168
<b>Total Assets</b>	<u>\$ 1,076,168</u>
<b>NET ASSETS:</b>	
Restricted	\$ 850,033
Unrestricted	<u>226,135</u>
<b>Total Net Assets</b>	<u>\$ 1,076,168</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement

**Sullivan County, Missouri**  
**Government Wide Statement of Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

	<b>Governmental <u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 952,693
<b>Total Assets</b>	<u>\$ 952,693</u>
<b>NET ASSETS:</b>	
Restricted	\$ 743,920
Unrestricted	<u>208,773</u>
<b>Total Net Assets</b>	<u>\$ 952,693</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement

**Sullivan County, Missouri**  
**Government-Wide Statement of Activities**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General County Government	\$ 1,377,544	\$ 318,467	\$ 356,919	\$ (702,158)
Roads and Bridges	661,377	93,101	515,731	(52,545)
911 Fund	324,980	24,000	-	(300,980)
Assessment	123,661	-	117,033	(6,628)
Sullivan County Memorial Hospital	<u>246,093</u>	<u>-</u>	<u>-</u>	<u>(246,093)</u>
<b>Total Governmental Activities</b>	<u>\$ 2,733,655</u>	<u>\$ 435,568</u>	<u>\$ 989,683</u>	<u>\$ (1,308,404)</u>
 <b>Total Sullivan County</b>	 <u>\$ 2,733,655</u>	 <u>\$ 435,568</u>	 <u>\$ 989,683</u>	 <u>\$ (1,308,404)</u>
 <b>General Revenues:</b>				
Property Taxes				219,445
Sales Taxes				1,061,354
Interest				11,229
Other				<u>139,851</u>
<b>Total General Revenues</b>				<u>1,431,879</u>
 Change in Net Assets				123,475
 <b>Net Assets - Beginning</b>				<u>952,693</u>
 <b>Net Assets - Ending</b>				<u>\$ 1,076,168</u>

The accompanying notes to the financial statements are an integral part of this financial statement



**Sullivan County, Missouri**  
**Government-Wide Statement of Activities**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General County Government	\$ 1,334,378	\$ 284,417	\$ 394,444	\$ (655,517)
Roads and Bridges	926,901	78,524	1,021,374	172,997
911 Fund	332,771	24,000	-	(308,771)
Assessment	121,311	-	121,518	207
Sullivan Cnty Memorial Hospital	<u>280,164</u>	<u>-</u>	<u>-</u>	<u>(280,164)</u>
<b>Total Governmental Activities</b>	<u><u>\$ 2,995,525</u></u>	<u><u>\$ 386,941</u></u>	<u><u>\$ 1,537,336</u></u>	<u><u>\$ (1,071,248)</u></u>
 <b>Total Sullivan County</b>	 <u><u>\$ 2,995,525</u></u>	 <u><u>\$ 386,941</u></u>	 <u><u>\$ 1,537,336</u></u>	 <u><u>\$ (1,071,248)</u></u>
 <b>General Revenues:</b>				
Property Taxes				193,186
Sales Taxes				1,024,153
Interest				11,348
Other				<u>100,512</u>
<b>Total General Revenues</b>				<u>1,329,199</u>
 Change in Net Assets				257,951
 <b>Net Assets - Beginning</b>				<u>694,742</u>
 <b>Net Assets - Ending</b>				<u><u>\$ 952,693</u></u>

The accompanying notes to the financial statements are an integral part of this financial statement

## **FUND FINANCIAL STATEMENTS**

**Sullivan County, Missouri**  
**Balance Sheet - Cash Basis**  
**Governmental Fund**  
**For the Year Ended December 31, 2010**

	General Revenue <u>Fund</u>	Special Road & Bridge <u>Fund</u>	911 <u>Fund</u>	Assessment <u>Fund</u>	Sullivan Cnty Memorial Hospital <u>Fund</u>	Other Governmental <u>Funds</u>	2010 Total Government <u>Funds</u>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 226,135	\$ 403,413	\$ 378,004	\$ -	\$ 5,776	\$ 62,840	\$ 1,076,168
<b>TOTAL ASSETS</b>	<u>\$ 226,135</u>	<u>\$ 403,413</u>	<u>\$ 378,004</u>	<u>\$ -</u>	<u>\$ 5,776</u>	<u>\$ 62,840</u>	<u>\$ 1,076,168</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>FUND BALANCES</b>							
Unreserved, Reported in:							
General Revenue Fund	\$ 226,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 226,135
Special Revenue Funds	-	403,413	378,004	-	5,776	-	787,193
Nonmajor Funds	-	-	-	-	-	62,840	62,840
<b>TOTAL FUND BALANCES</b>	<u>\$ 226,135</u>	<u>\$ 403,413</u>	<u>\$ 378,004</u>	<u>\$ -</u>	<u>\$ 5,776</u>	<u>\$ 62,840</u>	<u>\$ 1,076,168</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Sullivan County, Missouri**  
**Balance Sheet - Cash Basis**  
**Governmental Fund**  
**For the Year Ended December 31, 2009**

	General Revenue <u>Fund</u>	Special Road & Bridge <u>Fund</u>	911 <u>Fund</u>	Assessment <u>Fund</u>	Sullivan Cnty Memorial Hospital <u>Fund</u>	Other Governmental <u>Funds</u>	2009 Total Government <u>Funds</u>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 208,773	\$ 362,179	\$ 317,812	\$ 4,076	\$ 19,289	\$ 40,564	\$ 952,693
<b>TOTAL ASSETS</b>	<u>\$ 208,773</u>	<u>\$ 362,179</u>	<u>\$ 317,812</u>	<u>\$ 4,076</u>	<u>\$ 19,289</u>	<u>\$ 40,564</u>	<u>\$ 952,693</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>FUND BALANCES</b>							
Unreserved, Reported in:							
General Revenue Fund	\$ 208,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,773
Special Revenue Funds	-	362,179	317,812	4,076	19,289	-	703,356
Nonmajor Funds	-	-	-	-	-	40,564	40,564
<b>TOTAL FUND BALANCES</b>	<u>\$ 208,773</u>	<u>\$ 362,179</u>	<u>\$ 317,812</u>	<u>\$ 4,076</u>	<u>\$ 19,289</u>	<u>\$ 40,564</u>	<u>\$ 952,693</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Sullivan County, Missouri**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2010**

	General Fund	Special Road & Bridge Fund	911 Fund	Assessment Fund	Sullivan Cnty Memorial Hospital Fund	Other Governmental Funds	2010 Total Government Funds
<b>REVENUES:</b>							
Taxes - Sales	\$ 464,710	\$ -	\$ 348,516	\$ -	\$ 232,353	\$ 15,775	\$ 1,061,354
Taxes - Property	219,445	-	-	-	-	-	219,445
Intergovernmental Revenues	307,654	515,731	-	117,033	-	49,265	989,683
Charges for Services	288,125	93,101	24,000	-	-	30,342	435,568
Interest Income	2,827	3,193	4,445	285	227	252	11,229
Other	37,697	90,586	8,211	470	-	2,887	139,851
<b>TOTAL REVENUES</b>	<u>1,320,458</u>	<u>702,611</u>	<u>385,172</u>	<u>117,788</u>	<u>232,580</u>	<u>98,521</u>	<u>2,857,130</u>
<b>EXPENDITURES:</b>							
General County Government	1,300,826	-	-	-	-	76,718	1,377,544
Roads and Bridges	-	661,377	-	-	-	-	661,377
911 Fund	-	-	324,980	-	-	-	324,980
Assessment Fund	-	-	-	123,661	-	-	123,661
Sullivan Cnty Memorial Hospital	-	-	-	-	246,093	-	246,093
<b>TOTAL EXPENDITURES</b>	<u>1,300,826</u>	<u>661,377</u>	<u>324,980</u>	<u>123,661</u>	<u>246,093</u>	<u>76,718</u>	<u>2,733,655</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>19,632</u>	<u>41,234</u>	<u>60,192</u>	<u>(5,873)</u>	<u>(13,513)</u>	<u>21,803</u>	<u>123,475</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer To/From Other Funds	(2,270)	-	-	1,797	-	473	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,270)</u>	<u>-</u>	<u>-</u>	<u>1,797</u>	<u>-</u>	<u>473</u>	<u>-</u>
Net Change in Fund Balances	17,362	41,234	60,192	(4,076)	(13,513)	22,276	123,475
<b>Fund Balance - Beginning of Year</b>	<u>208,773</u>	<u>362,179</u>	<u>317,812</u>	<u>4,076</u>	<u>19,289</u>	<u>40,564</u>	<u>952,693</u>
<b>Fund Balance - End of Year</b>	<u>\$ 226,135</u>	<u>\$ 403,413</u>	<u>\$ 378,004</u>	<u>\$ -</u>	<u>\$ 5,776</u>	<u>\$ 62,840</u>	<u>\$ 1,076,168</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Sullivan County, Missouri**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2009**

	General Revenue Fund	Special Road & Bridge Fund	911 Fund	Assessment Fund	Sullivan Cnty Memorial Hospital Fund	Other Governmental Funds	2009 Total Government Funds
<b>REVENUES:</b>							
Taxes - Sales	\$ 455,352	\$ -	\$ 341,214	\$ -	\$ 227,587	\$ -	\$ 1,024,153
Taxes - Property	193,186	-	-	-	-	-	193,186
Intergovernmental Revenues	322,189	1,021,374	-	121,518	-	72,255	1,537,336
Charges for Services	257,190	78,524	24,000	-	-	27,227	386,941
Interest Income	3,351	2,025	5,005	387	293	287	11,348
Other	69,389	19,995	7,350	1,084	1,758	936	100,512
<b>TOTAL REVENUES</b>	<u>1,300,657</u>	<u>1,121,918</u>	<u>377,569</u>	<u>122,989</u>	<u>229,638</u>	<u>100,705</u>	<u>3,253,476</u>
<b>EXPENDITURES:</b>							
General County Government	1,233,220	-	-	-	-	101,158	1,334,378
Roads and Bridges	-	926,901	-	-	-	-	926,901
911 Fund	-	-	332,771	-	-	-	332,771
Assessment Fund	-	-	-	121,311	-	-	121,311
Sullivan Cnty Memorial Hospital	-	-	-	-	280,164	-	280,164
<b>TOTAL EXPENDITURES</b>	<u>1,233,220</u>	<u>926,901</u>	<u>332,771</u>	<u>121,311</u>	<u>280,164</u>	<u>101,158</u>	<u>2,995,525</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>67,437</u>	<u>195,017</u>	<u>44,798</u>	<u>1,678</u>	<u>(50,526)</u>	<u>(453)</u>	<u>257,951</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer To/From Other Funds	<u>(679)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(679)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679</u>	<u>-</u>
Net Change in Fund Balances	66,758	195,017	44,798	1,678	(50,526)	226	257,951
<b>Fund Balance - Beginning of Year</b>	<u>142,015</u>	<u>167,162</u>	<u>273,014</u>	<u>2,398</u>	<u>69,815</u>	<u>40,338</u>	<u>694,742</u>
<b>Fund Balance - End of Year</b>	<u>\$ 208,773</u>	<u>\$ 362,179</u>	<u>\$ 317,812</u>	<u>\$ 4,076</u>	<u>\$ 19,289</u>	<u>\$ 40,564</u>	<u>\$ 952,693</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Sullivan County, Missouri**  
**Statement of Fiduciary Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 4,285,538</u>
<b>Total Assets</b>	<u>\$ 4,285,538</u>
<b>NET ASSETS:</b>	
Restricted	\$ 4,285,538
Unrestricted	<u>-</u>
<b>Total Net Assets</b>	<u>\$ 4,285,538</u>

The accompanying notes to the financial statements  
 are an integral part of this financial statement

**Sullivan County, Missouri**  
**Statement of Fiduciary Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

	<b>Governmental</b>
	<b><u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 4,726,070</u>
<b>Total Assets</b>	<u>\$ 4,726,070</u>
<b>NET ASSETS:</b>	
Restricted	\$ 4,726,070
Unrestricted	<u>-</u>
<b>Total Net Assets</b>	<u>\$ 4,726,070</u>

The accompanying notes to the financial statements  
 are an integral part of this financial statement



**Sullivan County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies**

The financial statements of Sullivan County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has adopted the reporting model as required by GASB Statement 34, for the presentation of information in the government-wide financial statements and the major fund statements. The more significant of the County's accounting policies are described below.

**A. Reporting Entity**

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's government board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such at exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the county has no component units.

**B. Basis of Presentation**

Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the primary government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. For the years ended December 31, 2010 and 2009, the county had only governmental activities.

**Sullivan County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

**Fund Financial Statements**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and © any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into one category of funds - governmental. Governmental funds are those through which most governmental functions are typically financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

**General Fund** - The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue that are legally restricted to expenditure for specified purposes. The Special Road and Bridge Fund, 911 Fund, Assessment Fund and Sullivan County Memorial Hospital Fund are all considered Special Revenue Funds.

The county's nonmajor governmental funds are also special revenue funds.

**Sullivan County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's Fund, Canine Fund, Tax Sale Surplus Fund, Unclaimed Fees Fund, Fines Fund, Cemetery Fund, CDBG PWSD #1 Fund and the Sullivan County Law Enforcement Retirement Fund. These funds are all included in the accompanying Statement of Fiduciary Net Assets.

**C. Basis of Accounting**

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

**D. Vacation, Personal and Sick Leave**

Vacation time, personal time is considered as expenditures in the year paid. Vacation time is awarded based on years of service and must be used in its entirety prior to the employee's next anniversary date. The county does not have personal days, but comp time can be earned by working overtime.

**Sullivan County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**E. Budgets and Budgetary Accounting**

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo 2000), the County adopts a budget for various County funds.
- 2) Prior to December 31, each department, office, institution, commission, or court of the County submits to the budget officer its requirements for expenditures and its estimated revenues for the next budget year. These figures are presented with corresponding figures for the last completed year and an estimate of the current year.
- 3) The budget officer holds public hearings prior to presentation of the budget document to the County Commission no later than January 15<sup>th</sup> of each year.
- 4) A public hearing is held not earlier than 10 days after the budget document is made available to the public and with at least 5 days notice of the hearing.
- 5) Amendments to the budget are made by the County Commission as required to allow for appropriation of increased revenues and adjustments between line items within the budget. No budget amendments were made for 2010 and 2009. Please see budgetary comparison schedules in required supplementary information for further details.

The County's policy is to prepare the annual operating budget on a cash basis.

**F. Inventories and Capital Assets**

Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

**G. Long-Term Debt**

Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

**Sullivan County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**H. New Accounting Pronouncements**

The County has adopted GASB Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Adoption of GASB Statement No.34 established standards for external financial reporting for all state and local governmental entities. Significant changes in the statement include a Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations and a presentation of government-wide financial statements. These and other changes are reflected in the accompanying financial statements including notes to financial statements.

**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**J. Risk of Loss**

The County protects itself from risk of loss by purchasing commercial insurance for property damage and liability risks. The County does not self insure its risks.

**Note 2: Stewardship, Compliance and Accountability**

*Compliance with Finance Related Legal and Contractual Provisions*

The County incurred no material violations of finance related legal and contractual provisions.

*Excess of Expenditures Over Appropriations in Individual Funds*

For the two years ended December 31, 2010, the County had an excess of expenditures over appropriations in the Sullivan County Memorial Hospital Fund for 2010 and the HAVA Fund for 2009.

*Net Assets/Fund Balance Deficit*

The County had no funds with a deficit balance for the two years ended December 31, 2010.

**Sullivan County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 3: Cash and Investments**

Deposits - At December 31, 2010 and 2009, the carrying amount of the County's deposits was \$1,076,168 and \$952,693 respectively. The bank balance for the year ended December 31, 2010 and 2009 was \$1,109,765 and \$1,016,075 respectively. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law. County policy further requires that all securities that serve as collateral against the deposits of a depository institution must be held in safekeeping at a non-affiliated custodial facility. Of the bank balance, \$250,000 was covered by federal depository insurance and \$859,765 was covered by collateral held by the County's safekeeping agent in the County's name at December 31, 2010 and \$766,075 for the year ended December 31, 2009.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits

Investments - The county may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no formal investment policy regarding interest rate risk.

**Investment Credit Risk** - The County has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

**Concentration of Credit Risk** - The County places no limit on the amount it may invest in any one issuer. For the two years ended December 31, 2010, the County had no concentration of credit risk.

**Sullivan County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 4: Taxes**

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on November 1<sup>st</sup> and payable by December 31<sup>st</sup> of each year. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). The assessed valuation of the tangible taxable property for the calendar years 2010 and 2009 for purposes of County taxation was as follows:

	<u>2010</u>	<u>2009</u>
Real Estate	\$ 46,291,790	\$ 46,728,600
Personal Property	24,704,284	25,544,367
Railroad and Utilities	<u>8,192,686</u>	<u>8,661,112</u>
Total	<u>\$ 79,188,760</u>	<u>\$ 80,934,079</u>

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2010 and 2009 for purposes of County taxation was:

	<u>2010</u>	<u>2009</u>
General Revenue Fund	\$ .2600	\$ .2600
Total	<u>\$ .2600</u>	<u>\$ .2600</u>

**Note 5: Commitments and Contingencies**

The county is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

**Sullivan County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 7: County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

**A. Plan Description**

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

**B. Pension Benefits**

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit by calculating using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for vested employees.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Schothill Woods Drive, Jefferson City, Missouri 65101 or by calling 1-573-632-9203.

**C. Funding Policy**

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**General Revenue Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ 450,000	\$ 450,000	\$ 464,710	\$ 14,710	\$ 454,000	\$ 454,000	\$ 455,352	\$ 1,352
Taxes - Property	203,500	203,500	219,445	15,945	207,000	207,000	193,186	(13,814)
Intergovernmental Revenues	307,700	307,700	307,654	(46)	315,900	315,900	322,189	6,289
Charges for Services	263,100	263,100	288,125	25,025	265,000	265,000	257,190	(7,810)
Interest Income	3,000	3,000	2,827	(173)	3,000	3,000	3,351	351
Other	<u>35,600</u>	<u>35,600</u>	<u>37,697</u>	<u>2,097</u>	<u>28,310</u>	<u>28,310</u>	<u>69,389</u>	<u>41,079</u>
<b>Total Revenue</b>	<u>1,262,900</u>	<u>1,262,900</u>	<u>1,320,458</u>	<u>57,558</u>	<u>1,273,210</u>	<u>1,273,210</u>	<u>1,300,657</u>	<u>27,447</u>
<b>Expenditures:</b>								
County Commission	106,620	106,620	103,647	2,973	97,601	97,601	97,460	141
County Clerk	68,900	68,900	69,190	(290)	66,452	66,452	65,673	779
Elections	52,620	52,620	53,427	(807)	18,240	18,240	25,029	(6,789)
Buildings and Grounds	65,100	65,100	67,543	(2,443)	57,400	57,400	65,689	(8,289)
Employee Fringe Benefits	61,000	61,000	58,801	2,199	62,000	62,000	57,701	4,299
County Treasurer	96,874	96,874	88,814	8,060	94,532	94,532	92,102	2,430
Recorder of Deeds	64,570	64,570	63,766	804	67,055	67,055	65,708	1,347
Circuit Clerk	12,100	12,100	11,872	228	12,100	12,100	12,742	(642)
Court Administration	12,999	12,999	31,580	(18,581)	11,330	11,330	11,163	167
Public Administrator	39,800	39,800	36,721	3,079	38,400	38,400	36,446	1,954
Sheriff	473,100	473,100	458,734	14,366	467,776	467,776	465,019	2,757
Jail	73,000	73,000	81,605	(8,605)	73,000	73,000	72,610	390
Prosecuting Attorney	65,750	65,750	66,270	(520)	63,600	63,600	64,917	(1,317)
Juvenile Officer	15,291	15,291	9,345	5,946	15,291	15,291	8,685	6,606
County Coroner	30,275	30,275	25,645	4,630	30,155	30,155	26,237	3,918
911 Fund	-	-	-	-	-	-	-	-
Emergency Fund	45,000	45,000	4,989	40,011	42,500	42,500	175	42,325
Other	<u>68,025</u>	<u>68,025</u>	<u>68,877</u>	<u>(852)</u>	<u>68,325</u>	<u>68,325</u>	<u>65,864</u>	<u>2,461</u>
<b>Total Expenditures</b>	<u>1,351,024</u>	<u>1,351,024</u>	<u>1,300,826</u>	<u>50,198</u>	<u>1,285,757</u>	<u>1,285,757</u>	<u>1,233,220</u>	<u>52,537</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(88,124)</u>	<u>(88,124)</u>	<u>19,632</u>	<u>107,756</u>	<u>(12,547)</u>	<u>(12,547)</u>	<u>67,437</u>	<u>79,984</u>
<b>Fund Balance - Beginning of Year</b>	208,773	208,773	208,773	-	142,015	142,015	142,015	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>(900)</u>	<u>(900)</u>	<u>(2,270)</u>	<u>(1,370)</u>	<u>(900)</u>	<u>(900)</u>	<u>(679)</u>	<u>221</u>
<b>Fund Balance - End of Year</b>	<u>\$ 119,749</u>	<u>\$ 119,749</u>	<u>\$ 226,135</u>	<u>\$ 106,386</u>	<u>\$ 128,568</u>	<u>\$ 128,568</u>	<u>\$ 208,773</u>	<u>\$ 80,205</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Special Road and Bridge Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	644,000	644,000	515,731	(128,269)	1,148,420	1,148,420	1,021,374	(127,046)
Charges for Services	55,000	55,000	93,101	38,101	49,200	49,200	78,524	29,324
Interest Income	2,000	2,000	3,193	1,193	4,000	4,000	2,025	(1,975)
Other	<u>1,000</u>	<u>1,000</u>	<u>90,586</u>	<u>89,586</u>	<u>500</u>	<u>500</u>	<u>19,995</u>	<u>19,495</u>
<b>Total Revenue</b>	<u>702,000</u>	<u>702,000</u>	<u>702,611</u>	<u>611</u>	<u>1,202,120</u>	<u>1,202,120</u>	<u>1,121,918</u>	<u>(80,202)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administrator	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	1,021,350	1,021,350	661,377	359,973	1,332,220	1,332,220	926,901	405,319
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,021,350</u>	<u>1,021,350</u>	<u>661,377</u>	<u>359,973</u>	<u>1,332,220</u>	<u>1,332,220</u>	<u>926,901</u>	<u>405,319</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(319,350)</u>	<u>(319,350)</u>	<u>41,234</u>	<u>360,584</u>	<u>(130,100)</u>	<u>(130,100)</u>	<u>195,017</u>	<u>325,117</u>
<b>Fund Balance - Beginning of Year</b>	362,179	362,179	362,179	-	167,162	167,162	167,162	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 42,829</u>	<u>\$ 42,829</u>	<u>\$ 403,413</u>	<u>\$ 360,584</u>	<u>\$ 37,062</u>	<u>\$ 37,062</u>	<u>\$ 362,179</u>	<u>\$ 325,117</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Assessment Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	121,865	121,865	117,033	(4,832)	126,882	126,882	121,518	(5,364)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	400	400	285	(115)	600	600	387	(213)
Other	<u>2,111</u>	<u>2,111</u>	<u>470</u>	<u>(1,641)</u>	<u>500</u>	<u>500</u>	<u>1,084</u>	<u>584</u>
<b>Total Revenue</b>	<u>124,376</u>	<u>124,376</u>	<u>117,788</u>	<u>(6,588)</u>	<u>127,982</u>	<u>127,982</u>	<u>122,989</u>	<u>(4,993)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	128,452	128,452	123,661	4,791	128,168	128,168	121,311	6,857
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>128,452</u>	<u>128,452</u>	<u>123,661</u>	<u>4,791</u>	<u>128,168</u>	<u>128,168</u>	<u>121,311</u>	<u>6,857</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(4,076)</u>	<u>(4,076)</u>	<u>(5,873)</u>	<u>(1,797)</u>	<u>(186)</u>	<u>(186)</u>	<u>1,678</u>	<u>1,864</u>
<b>Fund Balance - Beginning of Year</b>	4,076	4,076	4,076	-	2,398	2,398	2,398	-
Transfers In	-	-	1,797	1,797	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,212</u>	<u>\$ 2,212</u>	<u>\$ 4,076</u>	<u>\$ 1,864</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Law Enforcement Training Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	1,000	1,000	-	(1,000)	900	900	759	(141)
Charges for Services	1,800	1,800	1,919	119	1,300	1,300	1,602	302
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>2,800</u>	<u>2,800</u>	<u>1,919</u>	<u>(881)</u>	<u>2,200</u>	<u>2,200</u>	<u>2,361</u>	<u>161</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	2,000	2,000	1,775	225	2,400	2,400	2,266	134
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,000</u>	<u>2,000</u>	<u>1,775</u>	<u>225</u>	<u>2,400</u>	<u>2,400</u>	<u>2,266</u>	<u>134</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>800</u>	<u>800</u>	<u>144</u>	<u>(656)</u>	<u>(200)</u>	<u>(200)</u>	<u>95</u>	<u>295</u>
<b>Fund Balance - Beginning of Year</b>	305	305	305	-	210	210	210	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 1,105</u>	<u>\$ 1,105</u>	<u>\$ 449</u>	<u>\$ (656)</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 305</u>	<u>\$ 295</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Training Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	400	400	481	81	350	350	401	51
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>400</u>	<u>400</u>	<u>481</u>	<u>81</u>	<u>350</u>	<u>350</u>	<u>401</u>	<u>51</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	650	650	414	236	850	850	644	206
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>650</u>	<u>650</u>	<u>414</u>	<u>236</u>	<u>850</u>	<u>850</u>	<u>644</u>	<u>206</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(250)</u>	<u>(250)</u>	<u>67</u>	<u>317</u>	<u>(500)</u>	<u>(500)</u>	<u>(243)</u>	<u>257</u>
<b>Fund Balance - Beginning of Year</b>	259	259	259	-	502	502	502	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 326</u>	<u>\$ 317</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 259</u>	<u>\$ 257</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**LEPC Cerf Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	2,600	2,600	-	(2,600)	2,300	2,300	2,634	334
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	21	21
<b>Total Revenue</b>	<u>2,600</u>	<u>2,600</u>	<u>-</u>	<u>(2,600)</u>	<u>2,300</u>	<u>2,300</u>	<u>2,655</u>	<u>355</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	4,100	4,100	1,263	2,837	2,000	2,000	1,105	895
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>4,100</u>	<u>4,100</u>	<u>1,263</u>	<u>2,837</u>	<u>2,000</u>	<u>2,000</u>	<u>1,105</u>	<u>895</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,263)</u>	<u>237</u>	<u>300</u>	<u>300</u>	<u>1,550</u>	<u>1,250</u>
<b>Fund Balance - Beginning of Year</b>	1,570	1,570	1,570	-	20	20	20	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 70</u>	<u>\$ 70</u>	<u>\$ 307</u>	<u>\$ 237</u>	<u>\$ 320</u>	<u>\$ 320</u>	<u>\$ 1,570</u>	<u>\$ 1,250</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**LEPC HMEP Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	2,000	2,000	-	(2,000)	2,000	2,000	-	(2,000)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	2,000	2,000	-	2,000	3,600	3,600	1,608	1,992
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>3,600</u>	<u>3,600</u>	<u>1,608</u>	<u>1,992</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,600)</u>	<u>(1,600)</u>	<u>(1,608)</u>	<u>(8)</u>
<b>Fund Balance - Beginning of Year</b>	78	78	78	-	1,686	1,686	1,686	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 78</u>	<u>\$ 78</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ 86</u>	<u>\$ 78</u>	<u>\$ (8)</u>

The accompanying notes to financial statements are an integral part of this statement



**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Delinquent Tax Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	200	200	-	(200)	100	100	-	(100)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	200	200	-	200	180	180	84	96
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>180</u>	<u>180</u>	<u>84</u>	<u>96</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80)</u>	<u>(80)</u>	<u>(84)</u>	<u>(4)</u>
<b>Fund Balance - Beginning of Year</b>	5	5	5	-	89	89	89	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ (4)</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Bad Check Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	10,500	10,500	6,780	(3,720)	9,000	9,000	10,085	1,085
Interest Income	-	-	-	-	110	110	-	(110)
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>10,500</u>	<u>10,500</u>	<u>6,780</u>	<u>(3,720)</u>	<u>9,110</u>	<u>9,110</u>	<u>10,085</u>	<u>975</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	11,500	11,500	7,198	4,302	9,470	9,470	9,386	84
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>11,500</u>	<u>11,500</u>	<u>7,198</u>	<u>4,302</u>	<u>9,470</u>	<u>9,470</u>	<u>9,386</u>	<u>84</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,000)</u>	<u>(1,000)</u>	<u>(418)</u>	<u>582</u>	<u>(360)</u>	<u>(360)</u>	<u>699</u>	<u>1,059</u>
<b>Fund Balance - Beginning of Year</b>	1,069	1,069	1,069	-	370	370	370	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 69</u>	<u>\$ 69</u>	<u>\$ 651</u>	<u>\$ 582</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 1,069</u>	<u>\$ 1,059</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Recorders S&R Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	2,200	2,200	2,138	(62)	3,000	3,000	2,266	(734)
Interest Income	100	100	91	(9)	250	250	107	(143)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<u>2,300</u>	<u>2,300</u>	<u>2,229</u>	<u>(71)</u>	<u>3,250</u>	<u>3,250</u>	<u>2,373</u>	<u>(877)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Recorder of Deeds	14,800	14,800	1,662	13,138	16,250	16,250	2,873	13,377
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>14,800</u>	<u>14,800</u>	<u>1,662</u>	<u>13,138</u>	<u>16,250</u>	<u>16,250</u>	<u>2,873</u>	<u>13,377</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(12,500)</u>	<u>(12,500)</u>	<u>567</u>	<u>13,067</u>	<u>(13,000)</u>	<u>(13,000)</u>	<u>(500)</u>	<u>12,500</u>
<b>Fund Balance - Beginning of Year</b>	12,513	12,513	12,513	-	13,013	13,013	13,013	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ 13,080</u>	<u>\$ 13,067</u>	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ 12,513</u>	<u>\$ 12,500</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Recorders Tech Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,450	1,450	1,388	(62)	1,300	1,300	1,360	60
Interest Income	50	50	20	(30)	100	100	52	(48)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<u>1,500</u>	<u>1,500</u>	<u>1,408</u>	<u>(92)</u>	<u>1,400</u>	<u>1,400</u>	<u>1,412</u>	<u>12</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	6,700	6,700	2,595	4,105	6,000	6,000	1,397	4,603
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>6,700</u>	<u>6,700</u>	<u>2,595</u>	<u>4,105</u>	<u>6,000</u>	<u>6,000</u>	<u>1,397</u>	<u>4,603</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(5,200)</u>	<u>(5,200)</u>	<u>(1,187)</u>	<u>4,013</u>	<u>(4,600)</u>	<u>(4,600)</u>	<u>15</u>	<u>4,615</u>
<b>Fund Balance - Beginning of Year</b>	5,223	5,223	5,223	-	5,208	5,208	5,208	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 4,036</u>	<u>\$ 4,013</u>	<u>\$ 608</u>	<u>\$ 608</u>	<u>\$ 5,223</u>	<u>\$ 4,615</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff's Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	17,000	17,000	21,447	4,447	16,200	16,200	16,951	751
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	10	10	38	28	100	100	11	(89)
Other	<u>200</u>	<u>200</u>	<u>1,505</u>	<u>1,305</u>	<u>-</u>	<u>-</u>	<u>242</u>	<u>242</u>
<b>Total Revenue</b>	<u>17,210</u>	<u>17,210</u>	<u>22,990</u>	<u>5,780</u>	<u>16,300</u>	<u>16,300</u>	<u>17,204</u>	<u>904</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	18,450	18,450	18,116	334	18,400	18,400	18,137	263
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>18,450</u>	<u>18,450</u>	<u>18,116</u>	<u>334</u>	<u>18,400</u>	<u>18,400</u>	<u>18,137</u>	<u>263</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,240)</u>	<u>(1,240)</u>	<u>4,874</u>	<u>6,114</u>	<u>(2,100)</u>	<u>(2,100)</u>	<u>(933)</u>	<u>1,167</u>
<b>Fund Balance - Beginning of Year</b>	1,255	1,255	1,255	-	2,188	2,188	2,188	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 6,129</u>	<u>\$ 6,114</u>	<u>\$ 88</u>	<u>\$ 88</u>	<u>\$ 1,255</u>	<u>\$ 1,167</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sullivan County Memorial Hospital Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ 225,000	\$ 225,000	\$ 232,353	\$ 7,353	\$ 227,000	\$ 227,000	\$ 227,587	\$ 587
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	300	300	227	(73)	1,000	1,000	293	(707)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,758</u>	<u>1,758</u>
<b>Total Revenue</b>	<u>225,300</u>	<u>225,300</u>	<u>232,580</u>	<u>7,280</u>	<u>228,000</u>	<u>228,000</u>	<u>229,638</u>	<u>1,638</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	244,500	244,500	246,093	(1,593)	297,800	297,800	280,164	17,636
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>244,500</u>	<u>244,500</u>	<u>246,093</u>	<u>(1,593)</u>	<u>297,800</u>	<u>297,800</u>	<u>280,164</u>	<u>17,636</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(19,200)</u>	<u>(19,200)</u>	<u>(13,513)</u>	<u>5,687</u>	<u>(69,800)</u>	<u>(69,800)</u>	<u>(50,526)</u>	<u>19,274</u>
<b>Fund Balance - Beginning of Year</b>	19,289	19,289	19,289	-	69,815	69,815	69,815	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 89</u>	<u>\$ 89</u>	<u>\$ 5,776</u>	<u>\$ 5,687</u>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 19,289</u>	<u>\$ 19,274</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Election Services Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	9,983	9,983	1,078	(8,905)	-	-	906	906
Charges for Services	2,500	2,500	2,514	14	750	750	1,093	343
Interest Income	40	40	13	(27)	100	100	34	(66)
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>12,523</u>	<u>12,523</u>	<u>3,605</u>	<u>(8,918)</u>	<u>850</u>	<u>850</u>	<u>2,033</u>	<u>1,183</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	15,400	15,400	4,647	10,753	5,500	5,500	4,204	1,296
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>15,400</u>	<u>15,400</u>	<u>4,647</u>	<u>10,753</u>	<u>5,500</u>	<u>5,500</u>	<u>4,204</u>	<u>1,296</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,877)</u>	<u>(2,877)</u>	<u>(1,042)</u>	<u>1,835</u>	<u>(4,650)</u>	<u>(4,650)</u>	<u>(2,171)</u>	<u>2,479</u>
<b>Fund Balance - Beginning of Year</b>	2,880	2,880	2,880	-	5,051	5,051	5,051	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 1,838</u>	<u>\$ 1,835</u>	<u>\$ 401</u>	<u>\$ 401</u>	<u>\$ 2,880</u>	<u>\$ 2,479</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**CDBG 2007 Bridge Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	4,750	4,750	3,750	(1,000)	4,750	4,750	-	(4,750)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>4,750</u>	<u>4,750</u>	<u>3,750</u>	<u>(1,000)</u>	<u>4,750</u>	<u>4,750</u>	<u>-</u>	<u>(4,750)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	4,750	4,750	3,750	1,000	4,750	4,750	-	4,750
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>4,750</u>	<u>4,750</u>	<u>3,750</u>	<u>1,000</u>	<u>4,750</u>	<u>4,750</u>	<u>-</u>	<u>4,750</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement



**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Tax Maintenance Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
<b>Taxes - Sales</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	9,000	9,000	9,123	123	6,000	6,000	8,817	2,817
Interest Income	100	100	90	(10)	100	100	83	(17)
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>9,100</u>	<u>9,100</u>	<u>9,213</u>	<u>113</u>	<u>6,100</u>	<u>6,100</u>	<u>8,900</u>	<u>2,800</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	19,000	19,000	7,105	11,895	15,200	15,200	7,388	7,812
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>19,000</u>	<u>19,000</u>	<u>7,105</u>	<u>11,895</u>	<u>15,200</u>	<u>15,200</u>	<u>7,388</u>	<u>7,812</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(9,900)</u>	<u>(9,900)</u>	<u>2,108</u>	<u>12,008</u>	<u>(9,100)</u>	<u>(9,100)</u>	<u>1,512</u>	<u>10,612</u>
<b>Fund Balance - Beginning of Year</b>	10,712	10,712	10,712	-	9,200	9,200	9,200	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 812</u>	<u>\$ 812</u>	<u>\$ 12,820</u>	<u>\$ 12,008</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 10,712</u>	<u>\$ 10,612</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**HAVA Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	11,623	11,623	3,060	(8,563)	350	350	741	391
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>11,623</u>	<u>11,623</u>	<u>3,060</u>	<u>(8,563)</u>	<u>350</u>	<u>350</u>	<u>741</u>	<u>391</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	11,623	11,623	3,060	8,563	350	350	741	(391)
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>11,623</u>	<u>11,623</u>	<u>3,060</u>	<u>8,563</u>	<u>350</u>	<u>350</u>	<u>741</u>	<u>(391)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Victim's Advocate Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	23,280	23,280	23,405	125	25,240	25,240	25,046	(194)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>1,200</u>	<u>1,200</u>	<u>1,226</u>	<u>26</u>	<u>500</u>	<u>500</u>	<u>1,195</u>	<u>695</u>
<b>Total Revenue</b>	<u>24,480</u>	<u>24,480</u>	<u>24,631</u>	<u>151</u>	<u>25,740</u>	<u>25,740</u>	<u>26,241</u>	<u>501</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	25,431	25,431	24,852	579	26,540	26,540	26,107	433
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>25,431</u>	<u>25,431</u>	<u>24,852</u>	<u>579</u>	<u>26,540</u>	<u>26,540</u>	<u>26,107</u>	<u>433</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(951)</u>	<u>(951)</u>	<u>(221)</u>	<u>730</u>	<u>(800)</u>	<u>(800)</u>	<u>134</u>	<u>934</u>
<b>Fund Balance - Beginning of Year</b>	993	993	993	-	859	859	859	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 42</u>	<u>\$ 42</u>	<u>\$ 772</u>	<u>\$ 730</u>	<u>\$ 59</u>	<u>\$ 59</u>	<u>\$ 993</u>	<u>\$ 934</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Victims of Domestic Violence Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	400	400	275	(125)	400	400	225	(175)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>400</u>	<u>400</u>	<u>275</u>	<u>(125)</u>	<u>400</u>	<u>400</u>	<u>225</u>	<u>(175)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	400	400	280	120	400	400	225	175
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>400</u>	<u>400</u>	<u>280</u>	<u>120</u>	<u>400</u>	<u>400</u>	<u>225</u>	<u>175</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	20	20	20	-	20	20	20	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 15</u>	<u>\$ (5)</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**CDBG Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	326,007	326,007	-	(326,007)	351,000	351,000	24,993	(326,007)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>326,007</u>	<u>326,007</u>	<u>-</u>	<u>(326,007)</u>	<u>351,000</u>	<u>351,000</u>	<u>24,993</u>	<u>(326,007)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk - Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	326,007	326,007	-	326,007	351,000	351,000	24,993	326,007
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>326,007</u>	<u>326,007</u>	<u>-</u>	<u>326,007</u>	<u>351,000</u>	<u>351,000</u>	<u>24,993</u>	<u>326,007</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Inmate Security Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	1,600	1,600	2,249	649	-	-	1,603	1,603
Interest Income	50	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>1,650</u>	<u>1,600</u>	<u>2,249</u>	<u>649</u>	<u>-</u>	<u>-</u>	<u>1,603</u>	<u>1,603</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	5,100	5,100	-	5,100	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>5,100</u>	<u>5,100</u>	<u>-</u>	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(3,450)</u>	<u>(3,500)</u>	<u>2,249</u>	<u>5,749</u>	<u>-</u>	<u>-</u>	<u>1,603</u>	<u>1,603</u>
<b>Fund Balance - Beginning of Year</b>	3,525	3,525	3,525	-	1,922	1,922	1,922	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 75</u>	<u>\$ 25</u>	<u>\$ 5,774</u>	<u>\$ 5,749</u>	<u>\$ 1,922</u>	<u>\$ 1,922</u>	<u>\$ 3,525</u>	<u>\$ 1,603</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**NCMO Project Lake Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ 15,775	\$ 15,775	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>-</u>	<u>-</u>	<u>15,775</u>	<u>15,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>15,775</u>	<u>15,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,775</u>	<u>\$ 15,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**911 Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ 340,000	\$ 340,000	\$ 348,516	\$ 8,516	\$ 350,000	\$ 350,000	\$ 341,214	\$ (8,786)
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	24,000	24,000	24,000	-	24,000	24,000	24,000	-
Interest Income	5,000	5,000	4,445	(555)	5,400	5,400	5,005	(395)
Other	<u>9,150</u>	<u>9,150</u>	<u>8,211</u>	<u>(939)</u>	<u>200</u>	<u>200</u>	<u>7,350</u>	<u>7,150</u>
<b>Total Revenue</b>	<u>378,150</u>	<u>378,150</u>	<u>385,172</u>	<u>7,022</u>	<u>379,600</u>	<u>379,600</u>	<u>377,569</u>	<u>(2,031)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>384,060</u>	<u>384,060</u>	<u>324,980</u>	<u>59,080</u>	<u>342,360</u>	<u>342,360</u>	<u>332,771</u>	<u>9,589</u>
<b>Total Expenditures</b>	<u>384,060</u>	<u>384,060</u>	<u>324,980</u>	<u>59,080</u>	<u>342,360</u>	<u>342,360</u>	<u>332,771</u>	<u>9,589</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(5,910)</u>	<u>(5,910)</u>	<u>60,192</u>	<u>66,102</u>	<u>37,240</u>	<u>37,240</u>	<u>44,798</u>	<u>7,558</u>
<b>Fund Balance - Beginning of Year</b>	317,812	317,812	317,812	-	273,014	273,014	273,014	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 311,902</u>	<u>\$ 311,902</u>	<u>\$ 378,004</u>	<u>\$ 66,102</u>	<u>\$ 310,254</u>	<u>\$ 310,254</u>	<u>\$ 317,812</u>	<u>\$ 7,558</u>

The accompanying notes to financial statements are an integral part of this statement



**Sullivan County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Deputy Sheriff Supplemental Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	628	628	-	-	157	157
<b>Total Revenue</b>	-	-	628	628	-	-	157	157
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highway & Roads	-	-	-	-	-	-	-	-
Senate Bill 40	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-	-	-	-	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	628	628	-	-	157	157
<b>Fund Balance - Beginning of Year</b>	157	157	157	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 157</u>	<u>\$ 157</u>	<u>\$ 785</u>	<u>\$ 628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ 157</u>

The accompanying notes to financial statements are an integral part of this statement

**Sullivan County, Missouri**  
Notes to the Required Supplementary Information  
For the Two Years Ended December 31, 2010

**Note 1: Budgeting and Budgetary Practices**

The County Commissioners and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law.

**Note 2: Budgetary Basis of Accounting**

The County budget is adopted on the cash basis of accounting.

**Note 3: Expenditures in Excess of Appropriations**

For the two years ended December 31, 2010, expenditures exceeded final budget amounts as follows:

	<u>Amount Over Budget</u>	
	<u>2010</u>	<u>2009</u>
Sullivan County Memorial Hospital Fund	\$ 1,593	\$ -
HAVA Fund	\$ -	\$ 391

## **FEDERAL COMPLIANCE SECTION**

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the County Commission of  
Sullivan County, Missouri  
Milan, Missouri

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sullivan County, Missouri as of and for the two years ended December 31, 2010, which collectively comprise of the County's basic financial statements and have issued my report thereon dated May 3, 2012. In my report, the county prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government  
Auditing Standards*  
(Concluded)**

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Commissioners, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Original Signed by Auditor**

Kevin G. Hudson, C.P.A.  
Certified Public Accountant  
May 3, 2012

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

To the County Commissioners  
Sullivan County, Missouri  
Milan, Missouri

**Compliance**

I have audited the compliance of the Sullivan County, Missouri with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the two years ended December 31, 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. *Those standards and OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County's compliance with those requirements.

In my opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the two years ended December 31, 2010.

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133  
(Continued)**

**Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance*, is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Original Signed by Auditor**

Kevin G. Hudson, C.P.A.  
Certified Public Accountant  
May 3, 2012

**Sullivan County, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the Years Ending December 31, 2010 and 2009**

<u>Federal CFDA Number</u>	<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Granters Number</u>	<u>Federal Expenditures Year Ended December 31,</u>	
			<u>2010</u>	<u>2009</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Social Services			
14.228	CDBG States Program	2002-PF-861	\$ 3,750	\$487,864
		2008-DF-14	-	24,993
	Total U.S. Department of Housing and Urban Development		<u>\$ 3,750</u>	<u>\$512,857</u>
-				
	U.S. DEPARTMENT OF JUSTICE			
	Passed through state:			
	State Department of Public Safety			
16.575	Crime Victim Assistance		\$ 22,932	\$ 23,152
16	Domestic Cannabis Eradication/Suppression Program		-	1,395
	Total U.S. Department of Justice		<u>\$ 22,932</u>	<u>\$ 24,547</u>
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-B105(21)	\$ -	\$363,803
20.703	Interagency Hazardous Materials Publc	HMEP	-	1,608
	Total U.S. Department of Transportation		<u>\$</u>	<u>\$ 365,411</u>
	ELECTION ASSISTANCE COMMISSION			
	Passed through the Office of Secretary of State -			
90.401	Help America Vote Act Requirements Payments	HAVA	<u>\$ 3,060</u>	<u>\$ 741</u>
	Total Election Assistance Commission		<u>\$ 3,060</u>	<u>\$ 741</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety:			
97.036	Public Assistance Grants	FEMA	<u>\$ -</u>	<u>\$ 149,529</u>
	Total U.S. Department of Homeland Security		<u>-</u>	<u>149,529</u>
	Total Expenditures of Federal Awards		<u><u>\$ 29,742</u></u>	<u><u>\$ 1,053,085</u></u>

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule



**Sullivan County, Missouri**  
Notes to the Supplementary Schedule  
For the Years Ended December 31, 2010 and 2009

**Note 1: Summary of Significant Accounting Policies**

**A. Purpose of Schedule and Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Sullivan County, Missouri.

**B. Basis of Presentation**

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule include expenditures of both cash and noncash awards.

**C. Basis of Accounting**

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

**Note 2: Subrecipients**

The county provided federal awards to the Public Water Supply District No.1 of Sullivan County during the years ended December 31, 2010 and 2009.

**Sullivan County, Missouri**  
Schedule of Findings and Questioned Costs  
Years Ended December 31, 2010 and 2009

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified	
not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified	
not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Sullivan County, Missouri**  
Schedule of Findings and Questioned Costs  
Years Ended December 31, 2010 and 2009

**Section II - Financial Statement Findings**

This section contains no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

**Section III - Federal Award Findings and Questioned Costs**

This section contains no audit findings that *OMB Circular A-133* requires to be reported for an audit of financial statements.

**Sullivan County, Missouri**  
**Follow-Up on Prior Audit Findings for an Audit of Financial**  
**Statements Performed in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Sullivan County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006. There were no prior audit findings that *Government Auditing Standards* requires to have follow up action taken by Sullivan County, Missouri for the two years ended December 31, 2006.

**Sullivan County, Missouri**  
Summary Schedule of Prior Audit Findings In Accordance  
with OMB Circular A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133, requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

**06-01**

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.004
Program Title:	State Domestic Preparedness Equipment Support Program
Pass-Through Entity	
Identifying Number:	2003-MU-T3-003
	2004-GE-T4-0049
	2005-GE-T5-0022
Award Years:	2006 and 2005
Questioned Costs:	\$92,970

**Criteria:** Section 50.660, RSMo, requires the advertisement of bids for all purchases of \$4,500 or more from any person, firm or corporation during any period of 90 days. Proper documentation of the various proposals received and the selection process and criteria should be retained to demonstrate compliance with law and support decisions that were made.

**Condition :** The 911 Board did not properly bid for its computer aided dispatch system.

**Effect:** Without proper bidding procedures and the inadequate documentation regarding the purchase of the computer aided dispatch system the CAD system grant totaling \$92,970 was considered as a questionable cost.

**Cause:** Due to the short time frame to apply for the grant, the coordinator did not have time to follow the proper channels for the bidding process in order to apply for the grant before the application deadline.

**Recommendation:** That the 911 Board follow proper bidding procedures and maintain the proper documentation regarding the bidding process.

**Status:** Implemented.



Thomas A. Schweich  
Missouri State Auditor

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# Forsythe Road Transportation Development District



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June 2012

Report No. 2012-42

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Forsythe Road Transportation Development District

Background	The Forsythe Road Transportation Development District (TDD) is located in the City of Branson. The TDD was organized in June 2008. The City of Branson had jurisdiction over this project, was responsible for overseeing the project construction, and was responsible for reviewing and approving the transportation project costs incurred. The city accepted dedication of the completed project.
Financial Condition	The Forsythe TDD has been unable to attract any businesses to locate within the TDD and has not generated any revenues. It is unclear if the TDD is currently liable for the remaining financial obligations for development costs. No sales taxes have been collected, and the TDD has been unable to provide any reimbursement to the developer. In 2010, the bank that had provided the financing for the project purchased the property at foreclosure, and has indicated it is considering several options regarding the property. The TDD had a zero cash balance at December 31, 2011. If the TDD has no outstanding obligations, the TDD should consider seeking abolishment under state law.
Board Meetings	The Board failed to hold meetings at least annually, as required by district by-laws.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Forsythe Road Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Greg Baker, Chairman  
and  
Board of Directors  
Forsythe Road Transportation Development District  
Branson, Missouri

We have audited certain operations of the Forsythe Road Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Forsythe Road Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Michelle Crawford, M.Acct.

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# Forsythe Road Transportation Development District Management Advisory Report - State Auditor's Findings

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## **1. Financial Condition**

The Forsythe Road Transportation District (TDD) has been unable to attract any businesses to locate within the TDD and has not generated any revenues. In addition, it is not clear if the TDD is currently liable for the remaining financial obligations related to development costs. The TDD was formed by a developer/property owner, and the initial costs of the TDD project were funded by the developer. In June 2008, the TDD Board passed a 1-cent (1 percent) sales tax and in July 2008, the TDD passed a resolution accepting a certificate of reimbursable expenses from the developer totaling approximately \$5 million. The rights to any sales taxes that might be collected were assigned to the bank financing the project.

The public infrastructure sections of the project were completed; however, the developer was unable to attract any businesses to locate in the TDD and no buildings were erected. No sales taxes have been collected, and the TDD was unable to provide any reimbursement to the developer. In 2010, the property was purchased at foreclosure by the bank that had provided financing for the project. The bank, as sole property owner, elected a new TDD Board in June 2011. The bank indicated it was considering several options regarding the property. The TDD had a zero cash balance at December 31, 2011, and is not generating revenues. It is unclear if the obligation of the TDD for developer costs remains an obligation of the TDD due to the change in ownership.

Section 238.275, RSMo, provides for the abolishment of a TDD once its projects are completed, ownership of the projects has been transferred to the local transportation authority, and the district has no outstanding obligations.

## **Recommendation**

The TDD Board determine whether it has any outstanding obligations. If no obligations exist, the TDD should consider seeking abolishment pursuant to the Missouri Transportation Development District Act, Sections 238.200 to 238.275, RSMo.

## **Auditee's Response**

*At the present time, the District is in a state of transition due to the bank taking ownership of the land. The District is in agreement with evaluating this issue at the time of sale of the property.*

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## **2. Board Meetings**

The Board failed to hold meetings as required. The property owners held an initial meeting on June 18, 2008, and the Board met in July 2008. The property owners and Board did not meet in 2009 or 2010. During this time period, the TDD appeared to cease functioning as a going concern (see MAR finding number 1). Section 3.7 of the district by-laws requires an annual property owners meeting. Annual meetings are necessary to meet the requirements of the by-laws and allow the district to conduct necessary business.



Forsythe Road  
Transportation Development District  
Management Advisory Report - State Auditor's Findings

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**Recommendation**

The TDD Board conduct a meeting at least annually, as required by district by-laws.

**Auditee's Response**

*The District agrees annual meetings should be conducted. Efforts to comply with this provision in prior years were complicated by the inability to obtain a quorum of board members. In 2011, new board members were appointed and an annual meeting held in accordance the statutory requirements. At a minimum, the new board intends to meet annually.*

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# Forsythe Road

## Transportation Development District

### Organization and Statistical Information

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The Forsythe Road Transportation Development District (TDD) is located in the City of Branson. The TDD was organized in June 2008 by petition of the owner/developer of property within the proposed district. The qualified voters of the TDD, in this case the property owner, approved the imposition of a 1-cent (1 percent) sales tax within the boundaries of the district on June 18, 2008. The public infrastructure sections of the project were completed; however, no retail establishments have been located in the development and no sales taxes have been collected. The developer encountered financial difficulties and the bank foreclosed on the property. The bank, as the sole property owner, elected a new board in June 2011.

The TDD was formed in conjunction with a Community Improvement District (CID) which was to fund the remaining portions of the project not eligible for TDD funding.

The City of Branson had jurisdiction over this project, was responsible for overseeing the project construction, and was also responsible for reviewing and approving the transportation project costs incurred. The city accepted dedication of the completed project.

The TDD has a year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

#### District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were:

Greg Baker, Chairman  
Marcia Hickenbottom, Vice-Chairperson  
Chad Buckwalter, Secretary/Treasurer  
Millie Bradley, Director  
Keran Lemons, Director

#### Selected Information on the District

Estimated Project Costs	\$5.25 million
Estimated TDD Duration	25 years
Total Estimated Revenues	\$7 million
Sale Tax Rate	1 percent
TDD is within a TIF District?	No



Forsythe Road  
Transportation Development District  
Organization and Statistical Information

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Forsythe Road Transportation Development District did not receive any federal stimulus monies during the 2 years ending December 31, 2011.

Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, 2011 follows:

	Year Ended December 31,	
	2011	2010
Receipts:		
Sales taxes	\$ 0	0
Total Receipts	0	0
Disbursements:		
Administrative	60	0
Total Disbursements	60	0
Revenues Over (Under) Disbursements	(60)	0
Beginning Cash Balance	60	60
Ending Cash Balance	\$ 0	60



# Thomas A. Schweich

Missouri State Auditor

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## Carroll County



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May 2012

Report No. 2012-41

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of Carroll County

Property Tax System	<p>The County Collector-Treasurer had administrative access rights in the property tax system which allowed her to potentially make changes to individual tax records. Since the Collector-Treasurer also collects tax monies, good internal controls dictate she not be able to alter or delete tax rates, assessed values, and property tax billings. After auditors brought it to the County Commission's attention in March 2012, the Commission had the programmer change the Collector-Treasurer's access rights. The Collector-Treasurer initiated \$12,646 in tax reductions during the 2 years ended February 29, 2012, for real and personal property taxes that were less than three years old. The County-Collector stated she was trying to remove delinquent taxes she believed were uncollectible, but these reductions are a concern given the access rights described above. Due to ambiguity in the statute and uncertainty regarding which collection commission percentage it should use, the county used different methods to determine commissions without seeking legal counsel on the issue.</p>
Public Administrator	<p>The Public Administrator did not timely file complete and accurate annual settlements and did not always prepare monthly bank reconciliations for ward accounts. The former Public Administrator still had possession of five decedent cases as of March 2012, even though the current Public Administrator took office in January 2009. The former Public Administrator has not been bonded since leaving office, and most of the cases in his possession lack annual settlements and bank reconciliations.</p>
Sheriff Accounting Controls	<p>The Sheriff's department does not maintain a book balance for its bank account, so monthly bank balances cannot be reconciled to the book balance to detect errors. In addition, the fee bank account should zero out each month, but at December 31, 2011, the account had an unidentified balance of \$5,522. Sheriff commission fees of \$5,015 from a partition sale were turned over to the county treasury but were deposited into the Sheriff's Special Fund rather than the county General Revenue Fund. Similarly, commissions totaling \$135 from a foreclosure sale were personally retained by the Sheriff and not remitted to the County Treasurer.</p>



Fuel Use	The Road and Bridge department does not maintain a fuel log for its bulk fuel tank, record mileage when fueling trucks, or review and reconcile fuel use to fuel purchases, so theft and misuse of fuel could go undetected. The Sheriff's department does not review mileage and fuel usage for department vehicles for reasonableness.
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Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.
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In the areas audited, the overall performance of this entity was <b>Good</b> .*
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American Recovery and Reinvestment Act (Federal Stimulus)	<p>The county was awarded the following Federal Stimulus monies during the audited period:</p> <p>An \$18,825 Homelessness Prevention and Rapid Re-housing Program grant was received and expended during calendar year 2010 for homeless prevention assistance and rapid re-housing assistance, of which \$779 was repaid in 2012 after it was disallowed by the Missouri Department of Social Services for inadequate documentation.</p> <p>The Carroll County Senate Bill 40 Board received \$15,317 under Title V, Section 5001 of the Recovery Act for Medicaid expenditures, which was used for general operations.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Carroll County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Carroll County

We have audited certain operations of Carroll County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Carroll County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Carroll County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Deborah Whitis, MBA, CPA, CIA
Audit Staff:	Richard Mosha, MBA
	Robert Graham
	Ashley Lee, MBA

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# Carroll County Management Advisory Report State Auditor's Findings

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## **1. Property Tax System**

Controls and procedures over the property tax system need improvement. The office of the County Collector-Treasurer processed property taxes totaling approximately \$12.5 million annually for the 2 years ended February 29, 2012.

### **1.1 Computer access**

Access to the property tax system was not adequately restricted prior to March 2012. The County Collector-Treasurer had administrative access rights in the property tax system, which provided her with unlimited access to all information in the system and allowed her to potentially make changes to individual tax records. Because the Collector-Treasurer is responsible for collecting tax monies, good internal controls require she not have system access rights to be able to alter or delete tax rates, assessed values, and property tax billings. The Collector-Treasurer indicated she was aware she had access to the system, but knew changes to the system would be identified during monthly reconciliations with the County Clerk. When we brought this access issue to the County Commission's attention in March 2012, the Commission had the programmer change the Collector-Treasurer's access rights so she no longer has the ability to change tax records.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the deletion or alteration of data files and programs.

### **1.2 Tax book changes**

The County Collector-Treasurer initiated \$12,646 in tax reductions during the 2 years ended February 29, 2012, for real and personal property taxes that were less than 3 years old.

The County Commission reviews and authorizes all tax reductions and they are subsequently posted to the property tax system by the County Clerk, who also reconciles the court orders to actual changes made to the property tax system on a monthly basis. However, because the County Collector-Treasurer is responsible for collecting tax monies and in order to ensure a proper segregation of duties, initiation of adjustments to the tax records should be left to those independent of the collection process.

The Collector-Treasurer indicated she initiated the tax reductions because she was trying to remove delinquent taxes that she believed to be uncollectible. However, Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. In addition, while Sections 140.730.3 and 140.160.1, RSMo, provide for the removal of old unpaid personal property and real estate taxes, the tax reductions noted here do not appear consistent with circumstances provided for in these statutes.



Carroll County  
Management Advisory Report - State Auditor's Findings

Collector-Treasurer initiated tax reductions is a significant concern because, as explained in Section 1.1, the Collector-Treasurer had the access rights in the property tax system to potentially change tax records.

### 1.3 Commissions

Due to uncertainty regarding the provisions of Section 54.280.2, RSMo, the county used different methods to determine which collection commission percentage to use without seeking legal counsel on this issue. The county included the railroad and utility taxes when determining total taxes levied during 2007 and 2008, resulting in a 2 percent collection commission rate, but excluded these taxes during 2009 through 2011, resulting in a 2 1/2 percent collection commission rate in those years. During the 2 years ended February 29, 2012, the county retained \$62,422 more in commissions than it would have if it had continued to include railroad and utility taxes in the calculation and use the 2 percent collection commission rate it had used in 2007 and 2008.

Section 54.280.2, RSMo, provides the commission fee structure for the collection of current and current delinquent taxes and indicates the collector-treasurer shall collect fees to be deposited into the county general fund based on the "total amount of taxes levied" each year as follows:

Total Amount of Taxes Levied	Commission Percentage
\$5 million or less	3
Greater than \$5 million, but less than or equal to \$9 million	2 1/2
Greater than \$9 million, but less than or equal to \$13 million	2
Greater than \$13 million	1 1/2

This section does not specify the exclusion of any taxes from the total amount of taxes levied when determining the appropriate percentage bracket for commission withholdings. However, Section 54.320.1, RSMo, establishes a 3 percent collection fee for current railroad and utility taxes, and other statutes establish collection fees for various separate taxing entities, such as Section 245.250, which establishes a 1 percent commission for levee district collections. Because these other sections of law establish collection percentages for railroad and utility and other types of taxes it is unclear if these taxes should be included in the total taxes levied amount for determining collector-treasurer commission percentage brackets based on Section 54.280.2, RSMo.

Depending on how the statute is interpreted, the County Collector-Treasurer should either be retaining commissions at a 2 percent rate or a 2 1/2 percent rate for current and current delinquent taxes collected. Because the decision significantly impacts amounts withheld from various taxing authorities as commissions to the county, it is important that a well-supported decision be made. In addition, legislative clarification is needed to ensure township-organized counties are properly retaining collector-treasurer commissions.



Carroll County  
Management Advisory Report - State Auditor's Findings

## Recommendations

- 1.1 The County Commission ensure property tax system access rights are limited to only what is needed for the users to perform their job duties and responsibilities.
- 1.2 The County Collector-Treasurer refrain from initiating abatements for taxes that are less than 3 years old.
- 1.3 The County Commission, County Clerk, and County Collector-Treasurer work with their county associations and pursue a legislative change to clarify this issue.

## Auditee's Response

*The County Commission and County Clerk provided the following written responses:*

- 1.1 *The Commission and Clerk were unaware of the unrestricted access in the office of the Collector-Treasurer. To our knowledge this was the first time that a question had been raised by the State Auditor's office (SAO). In 2007, when the current software was installed, each office holder's access to the system was set up by Tyler Technologies staff. After SAO field staff brought the concern to our knowledge, the suggested changes were made immediately. All changes to assessment and/or tax books are now done in the offices of Assessor and County Clerk.*
- 1.2 *We concur that changes to assessments and tax abatements and changes will be done exclusively by the County Clerk and her staff after Commission approval by Court Order.*
- 1.3 *The Commission was unaware that the Collector-Treasurer discretionarily changed the commission percentage in 2009 from that in 2008. The Commission believes that SB 210 and HB 58 passed in 2005 "holds harmless" the County in regard to commissions retained on the Railroad and Utilities collection according to 54.320.1. In addition, the money collected and distributed to the 25 levee and drainage districts throughout the County are based on a "net benefit" for maintenance and as such, should not be included in the calculation of "taxes levied" for purposes of commission retained.*

*The County Collector-Treasurer provided the following written responses:*

- 1.1 *The Collector-Treasurer is working with the system's programmer to customize the existing tax program allowing her and her office staff certain access rights to maintain tax files by updating addresses and making necessary notes. This would allow the*



Carroll County  
Management Advisory Report - State Auditor's Findings

*Collector-Treasurer's Office to perform their job duties and responsibilities.*

- 1.2 *Some of the tax abatements that the Collector-Treasurer deemed uncollectible involved personal property taxes for deceased people who had no probate, people who had moved from the county or out-of state, and people for whom we had no good address. The Collector-Treasurer will refrain from initiating abatements for personal property taxes that are less than 3 years old.*

*Since there had been some question as to who should initiate the request to abate delinquent real estate assessed mobile homes that were no longer located in Carroll County, the Collector-Treasurer initiated the abatement request to the County Commissioners. The only real estate tax abatements that the Collector-Treasurer requested during the two audited years was a repossessed mobile home that belonged to a deceased person, a mobile home that had been torn apart and materials discarded, and three mobile homes that had been moved from the county. In the future when the Collector-Treasurer discovers, while working with delinquent tax sale properties, that a mobile home can't be located; it will be the responsibility of the assessor to initiate the abatement.*

*In regards to the Collector-Treasurer performing adds and abates within her Merchant's License Tax File, effective April 5, 2012, the County Clerk's staff is now adding any new businesses and abating closed businesses in this file upon the notification of the Collector-Treasurer.*

- 1.3 *The Collector-Treasurer will work with the Missouri County Collector's Association to clarify the interpretation of statutes regarding county commission fees. Since there is a difference of opinion on which collection commission percentage to use, the Missouri County Collector Association's Legislative Committee will be apprised of this audit recommendation to help pursue a legislative change if necessary.*

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## **2. Public Administrator**

Annual settlements are often not filed timely and are not always accurate. Bank reconciliations are not always performed, and the former Public Administrator still has possession of cases after leaving office over 3 years ago.

The Public Administrator is the court appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division. The current Public Administrator took office January 1, 2009, and handled the financial activities of 30 and 29 individuals during 2011 and 2010,





## Carroll County Management Advisory Report - State Auditor's Findings

respectfully. We reviewed three cases with cash balances totaling \$505,844, which represents 52 percent of the total cash balances of all cases at December 31, 2011. We also reviewed the five cases handled by the former Public Administrator during the 2 years ended December 31, 2011. Due to the lack of adequate documentation, we were unable to determine the dollar value of cases held by the former Public Administrator.

### 2.1 Annual settlements

Complete and accurate annual settlements are not filed in a timely manner. For each ward, the Public Administrator is required to file an annual settlement with the Probate Division which reflects a detailed list of assets held, as well as financial activity for the year. Our review of three cases handled by the current Public Administrator noted complete and accurate annual settlements were not filed for two of these cases. For one case, the 2010 annual settlement was filed, but because it was not accurate the settlement was not approved by the judge. The settlement has not been updated, and as of March 2012, a 2011 settlement has not been filed for this case or the other case in question.

Sections 473.540 and 475.270, RSMo, require the Public Administrator to file with the court an annual settlement for each ward or estate. Timely and accurate settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

### 2.2 Bank reconciliations and record retention

Monthly bank reconciliations were not always prepared. The Public Administrator indicated original documentation such as bank statements and the checkbooks are sent to the attorneys for preparation of annual settlements. While the records are in the custody of the attorneys, no bank reconciliations are performed.

Monthly bank reconciliations are necessary to ensure the bank activity and accounting records are in agreement, and to identify errors in a timely manner.

### 2.3 Former public administrator cases

The former Public Administrator still had possession of five decedents cases as of our review in March 2012, even though the current Public Administrator took office in January 2009. In addition, the former Public Administrator has not been bonded since he left office, and annual settlements have not been completed and bank reconciliations have not been performed for most of the cases held by the former Public Administrator. According to the former Public Administrator, he is working with the attorneys involved to resolve these cases. However, it has been over 3 years since a new Public Administrator was elected.

Section 473.767, RSMo, indicates on the first court date upon expiration of one year after election of a successor, the probate judge shall order the



Carroll County  
Management Advisory Report - State Auditor's Findings

public administrator to account for and deliver all monies and records in which final settlement cannot be made, to the successor in office.

Failure to properly bond individuals who have access to decedent funds exposes those cases to a risk of loss. In addition, timely and accurate settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

## Recommendations

- 2.1 The Public Administrator ensure complete and accurate settlements are filed in a timely manner.
- 2.2 The Public Administrator ensure bank reconciliations are prepared on a monthly basis on all accounts.
- 2.3 The former Public Administrator account for and deliver all monies and records in which final settlement cannot be made to the current Public Administrator.

## Auditee's Response

*The Public Administrator provided the following written responses:*

- 2.1 *Complete annual settlements will be filed with the Probate Court in a timely manner for each ward assigned to the Public Administrator's office.*
- 2.2 *Bank reconciliations will be prepared on a monthly basis on all accounts, including those submitted to lawyers offices for final settlement. Only copies of bank statements, and not originals, will be provided to lawyers for annual or final settlements.*

*The Public Administrator and the former Public Administrator provided the following written response:*

- 2.3 *Monies and records from the former Public Administrator have been transferred, and are in the possession of the current Public Administrator.*

## 3. Sheriff Accounting Controls

Accounting controls and procedures related to monies collected and bank accounts maintained by the Sheriff's department need improvement. Deposits into the Sheriff's fee bank account totaled approximately \$158,500 during the 2 years ended December 31, 2011.

### 3.1 Fees bank account

Bank balances are not reconciled to a book balance, and unidentified amounts have accumulated in the fees bank account. Although the office manager reviews the monthly bank statements, the bank balances cannot be



## Carroll County Management Advisory Report - State Auditor's Findings

reconciled to the book balances each month because no book balance is maintained.

In addition, procedures are not adequate to ensure all monies received are disbursed. Monies received by the Sheriff, which include cash bonds and accountable fees, are normally disbursed at the end of each month, which should cause the fee bank account to zero out each month. However, there was an unidentified balance in the bank account totaling \$5,522 as of December 31, 2011, which has fluctuated over time. Our prior audit noted the unidentified balance was \$5,889 at December 31, 2006.

Maintaining a book balance, reconciling the bank balance to the book balance, reconciling receipts and deposits to amounts disbursed, and following up on unidentified differences are necessary procedures to ensure accounting records are in balance, errors are identified in a timely manner, and all receipts are properly disbursed.

### 3.2 Commission fees

Sheriff commission fees for a partition sale and a foreclosure sale were not properly handled. Commissions totaling \$5,015 from a partition sale held in February 2010, were turned over to the county treasury; however, these monies were deposited into the Sheriff's Special Fund rather than the county General Revenue Fund. In addition, commissions totaling \$135 from a foreclosure sale in April 2010 were personally retained by the Sheriff and not remitted to the County Treasurer.

Attorney General's Opinion No. 108, 1970 to Holman, provides commissions on partition sales are accountable fees and should be paid into the county General Revenue Fund. In addition, Sections 50.360 and 50.370, RSMo, require all county officials who receive fees or any other remuneration for official services to pay such monies monthly to the County Treasurer.

Similar condition  
previously reported

A condition similar to section 3.1 was noted in our prior report.

### Recommendations

The Sheriff:

- 3.1 Maintain a book balance and ensure the bank balance is reconciled to the book balance. In addition, the Sheriff should ensure all receipts are disbursed and the balance of the bank account zeros out at the end of each month. Any receipts that cannot be disbursed by the end of the month should be documented and reconciled to the bank balance. Amounts which cannot be identified should be disposed of in accordance with state law.



Carroll County  
Management Advisory Report - State Auditor's Findings

- 3.2 Ensure all commissions received on partition and foreclosure sales are paid into the county General Revenue Fund.

## Auditee's Response

*The Sheriff provided the following responses:*

- 3.1 *We have identified the amount of unidentified monies and will disburse to Unclaimed Properties, so the account will zero out each month. We are working on procedures to maintain a running book balance.*

- 3.2 *The \$135 has been paid to the county treasury.*

*The County Clerk provided the following response:*

- 3.2 *The commissions totaling \$5,015 that were deposited into the Sheriff's Special Fund will be transferred into the county General Revenue Fund, half in 2012 and the balance in the 2013 budget.*

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## 4. Fuel Use

Our review noted concerns related to monitoring of fuel use in the county Road and Bridge department and the Sheriff's office.

### 4.1 Road and Bridge

The county has not established effective monitoring procedures regarding fuel use for the Road and Bridge department. Gasoline is purchased by the department by fuel card and on an account with a local company for the two county trucks. The department also purchases diesel fuel to dispense from the bulk tank located at the county shed. A fuel log is not maintained at the bulk fuel tank, mileage is not recorded when fueling trucks, and fuel use is not reviewed or reconciled to fuel purchases. As a result, theft and misuse of fuel could go undetected. Accounting records indicate during the 2 years ended December 31, 2011, the county incurred road and bridge fuel and oil costs of \$71,342.

Maintenance and review of vehicle and equipment mileage logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to prevent paying vendors for improper billing amounts and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment fuel costs.

### 4.2 Sheriff

Mileage and fuel usage for Sheriff's department vehicles are not reviewed for reasonableness. While Sheriff's department personnel reconcile individual fuel tickets to monthly invoices from the vendor, without comparing fuel usage to miles driven, the county cannot ensure fuel use is reasonable in comparison with miles driven. Accounting records indicate fuel and oil purchases totaling \$63,329 were made by the Sheriff's department during the 2 years ended December 31, 2011.



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Carroll County  
Management Advisory Report - State Auditor's Findings

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Comparison of mileage and fuel usage are necessary to support fuel charges and to document the appropriate use of vehicles. Failure to document and monitor fuel use could result in loss, theft, or misuse going undetected.

## Recommendations

- 4.1 The County Commission require mileage logs for all vehicles and equipment and review the logs for reasonableness. In addition, bulk fuel inventory records should be maintained, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.
- 4.2 The Sheriff establish procedures to reconcile vehicle mileage to fuel purchases for all county-owned vehicles in the Sheriff's department.

## Auditee's Response

*The County Commission provided the following written response:*

- 4.1 *The Commission concurs with this recommendation and has implemented the usage of logs effectively immediately.*

*The Sheriff provided the following response:*

- 4.2 *We are now recording date, mileage, and gallons at fueling for each vehicle in the maintenance logs.*

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# Carroll County

## Organization and Statistical Information

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Carroll County is a township-organized, third-class county. The county seat is Carrollton.

Carroll County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 37 full-time employees and 7 part-time employees on December 31, 2011. The townships maintain county roads.

In addition, county operations include a Senate Bill 40 Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2012	2011
Nelson Heil, Presiding Commissioner	\$	33,433
Jim Stewart, Associate Commissioner		30,224
David Martin, Associate Commissioner		31,433
Cheryl A. Mansur, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Peggy McGaugh, County Clerk		47,625
Cassandra Brown, Prosecuting Attorney		52,128
Troy Hofstetter, Sheriff		50,614
Steven W. Bittiker, County Coroner		13,768
Linda Leabo, Public Administrator		25,000
Alta M. O'Neal, County Collector-Treasurer, year ended March 31,	47,744	
Devin Rae Frazier, County Assessor, year ended August 31,		47,625
Marcus J. Magee, County Surveyor (2)		

(1) Compensation is paid by the state.

(2) Compensation on a fee basis.



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Carroll County  
Organization and Statistical Information

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**American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)**

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2011:

A Homelessness Prevention and Rapid Re-housing Program grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services and \$18,825 was passed through to Carroll County. This grant provided homeless prevention assistance to households that would have otherwise become homeless and rapid re-housing assistance to persons who were homeless. The full amount of the grant was received and expended during the year ended December 31, 2010. The Missouri Department of Social Services disallowed \$779 due to inadequate documentation and it was paid back to the state in May 2012.

The Carroll County Senate Bill 40 Board received \$15,317 under Title V, Section 5001 under Division B of the Recovery Act which provided additional federal funding in the Medicaid Federal Medical Assistance Percentage. The grant was awarded by the U.S. Department of Health and Human Services and passed through the Missouri Department of Social Services. The payments were made for Medicaid expenditures reported between October 1, 2009, and December 31, 2011. For the years ended December 31, 2011 and 2010, \$15,317 was received by the Senate Bill 40 Board and used for general operations; therefore, related expenditures were not tracked separately.



# Thomas A. Schweich

Missouri State Auditor

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## Stone County



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May 2012

Report No. 2012-40

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<http://auditor.mo.gov>





# CITIZENS SUMMARY

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## Findings in the audit of Stone County

County Sales Tax	The General Revenue Fund owes the Road and Bridge Fund approximately \$200,000 for property tax reductions related to sales tax collections, and property tax reduction amounts were not properly calculated and reported to the State Auditor's office.
Payroll and Related Matters	The county may be paying law enforcement officers more overtime than required by law and county policy. The county does not maintain leave records for salaried employees and pays salaried employees in advance of time worked. The county did not always properly report additional compensation to employees or payments to contractors. The county has not clearly documented why the Emergency Management Director qualifies as an independent contractor and does not maintain documentation of the work performed. Payroll records are not adequately reviewed to ensure leave time used and compensatory time earned are properly recorded.
Property Tax System	Prior audits have reported the need for the county to improve controls and procedures over the property tax system. The County Clerk and County Commission do not adequately review the activities of the County Collector, and the County Clerk neither prepares nor verifies the accuracy of the current or delinquent tax books. The County Commission does not approve additions to the tax books or outlawed personal property taxes. The County Collector's annual settlements contained errors, and the County Collector did not disburse approximately \$30,000 in tax maintenance collections to the County Treasurer.
County Procedures	Contracts for the distribution of road sales tax monies have not been updated since 1993, and the county does not reconcile fuel purchases and usage. The county has not conducted an analysis of the most cost-effective cellular phone plans and does not enforce its policy requiring the county be reimbursed for personal usage. The county paid approximately \$92,000 for cellular phone related charges. The Recorder User Fee Fund budget lists unrealistic expenditures, such as \$350,000 budgeted for records preservation when only \$6,032 was spent. At December 31, 2011, the Recorder User Fee Fund had an accumulated balance of over \$255,000.
Sheriff's Controls and Procedures	The Sheriff's bank account is not adequately reconciled, and several errors went undetected. After considering all identified errors and liabilities, the Sheriff's bank account was short \$5,206. Accounting duties are not adequately segregated, and travel costs are not adequately documented. Travel costs totaling \$6,205 for the Sheriff and a deputy to attend a conference in Fort Lauderdale, FL were not adequately documented, and, although county policy allows a \$35 per diem, the Sheriff reimburses his employees based upon the federal per diem rate, paying rates as high as \$53 per day. Travel advances are not accounted for and excess funds are not returned promptly. The Sheriff received a travel advance of \$1,449 to attend a trade show in Las Vegas, NV, but the unspent funds (\$438) were not returned for over a year, and a deputy took more than 16 months to submit an accounting of the \$1,000 advance he received.

Prosecuting Attorney's Controls and Procedures	The Prosecuting Attorney's office should improve accounting controls and procedures. The bad check computer system allows receipt slips and checks to be post- or pre-dated, the bad check clerk is able to post adjustments without independent approval, and procedures to reconcile the balance of the bad check/restitution bank account are insufficient.
Computer Controls and County Assets	Most county computer system users are not required to periodically change their passwords, and unique user identifications are not required to access computers in the Prosecuting Attorney's office. The planning and zoning department does not prepare backups, the Collector does not store supplemental accounting data at an off-site or fire proof location, and neither the Collector nor the Prosecuting Attorney test their backup information. The County Clerk lacks adequate procedures to identify and safeguard county property.
Meetings and Records	Open meeting minutes did not always document the specific reasons, legal basis, or roll call vote for closing a meeting, and some closed meeting minutes were not available.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	<p>Stone County was awarded the following Federal Stimulus funds:</p> <p>A \$118,754 Edward Byrne Memorial Justice Assistance grant was received and expended for law enforcement equipment and vehicles.</p> <p>A \$33,633 Recovery STOP Violence Against Women Act Program grant was received and expended to fund a Crime Victim Advocate. The county continued to fund the position after the grant funds were expended.</p> <p>A \$113,284 Homeless Prevention and Rapid Re-Housing Program grant was awarded, \$71,795 of which was received and expended by the county for ongoing case management, financial assistance, and property inspections.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Stone County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Stone County

We have audited certain operations of Stone County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones and Associates, Certified Public Accountants, was engaged to audit the financial statements of Stone County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures.

The accompanying Management Advisory Report presents our findings arising from our audit of Stone County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and "A." in the middle.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Candi Copley
Audit Staff:	Joshua Allen, CPA
	Michelle Crawford, M.Acct.

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# Stone County

## Management Advisory Report

### State Auditor's Findings

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#### **1. County Sales Tax**

The General Revenue Fund has not reimbursed the Road and Bridge Fund approximately \$200,000 for property tax reductions related to sales tax collections during 2009, 2010, and 2011. Additionally, property tax reduction amounts were not properly calculated and reported to the State Auditor's office.

Section 67.505, RSMo, requires the county to reduce property taxes for a percentage of sales taxes collected. Stone County voters enacted a one-half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected.

Annually Stone County certifies to the State Auditor's office the annual property tax levy including the amount the levy is reduced for sales tax collections, as well as any voluntary reductions. Each year the general revenue property tax levy is reduced to 13 cents and the road and bridge property tax levy is reduced to zero. Because reducing the general revenue property tax levy to 13 cents is not sufficient to compensate for 50 percent of the sales taxes collected, the county reports a portion of the road and bridge levy reduction as related to sales tax. Since revenues of the Road and Bridge Fund are required by Section 137.555, RSMo, to be used only for improving and maintaining county roads and bridges, the portion of the road and bridge property tax reduction that relates to the General Revenue Fund sales tax rollback should be reimbursed. However, in 2009 the County Commission discontinued transferring a portion of the general sales tax monies to the Road and Bridge Fund to compensate for the property tax reduction. As a result, our calculations indicate the General Revenue Fund owes the Road and Bridge Fund \$67,134, \$77,223, and \$55,406 for property tax reductions made in 2011, 2010, and 2009, respectively.

Further, the county does not perform the calculations to determine how much of the road and bridge property tax reduction is related to sales tax. Instead, each year the county reports the road and bridge property tax levy is voluntarily rolled back 2 cents and the balance of the reduction is related to sales taxes. Without properly calculating the property tax reduction related to sales tax revenue, the county cannot determine how much the General Revenue Fund owes the Road and Bridge Fund, and cannot properly report the reductions to the State Auditor's office.

To better document decisions regarding property tax levies and ensure the Road and Bridge Fund receives general sales tax monies equivalent to the property tax reduction, the County Commission should calculate how much of the Road and Bridge property tax levy reduction was related to sales tax, transfer \$199,763 from the General Revenue Fund to the Road and Bridge Fund, and ensure similar transfers are made in the future when the road and bridge property tax levy is reduced for sales tax purposes. Further, these



Stone County  
Management Advisory Report - State Auditor's Findings

calculations should be used to accurately report sales tax reductions to the State Auditor's office.

## Recommendation

The County Commission and County Clerk properly calculate and report sales tax reduction amounts, transfer \$199,763 to the Road and Bridge Fund, and ensure the Road and Bridge Fund receives general sales tax monies equivalent to the property tax reductions in the future.

## Auditee's Response

*The County Commission provided the following written response:*

*No taxpayer was overcharged or undercharged. The taxes were correctly assessed, collected, and deposited, but the necessary transfers were not made. We intend to reimburse the Road and Bridge Fund \$199,763 as recommended, although we do not know if we will have sufficient funds to make the entire reimbursement in the 2012 or 2013 budgets. Additionally, we will work with the County Clerk to ensure the county's levy is properly calculated and reported in the future. If applicable, we will ensure the Road and Bridge Fund receives general sales tax monies equivalent to the property tax reduction in the future.*

*The County Clerk provided the following written response:*

*Prior to submitting the county's 2012 levy I will contact the State Auditor's Office to further assist me with the calculations and reporting to ensure I properly report the sales tax rollback amounts.*

---

## 2. Payroll and Related Matters

Compensatory time and leave procedures need improvement, and some county employees received compensation that was not properly reported and taxed. The county should review the classification of the Emergency Management Director as an independent contractor and review payroll transactions to reduce errors.

### 2.1 Compensatory time

Compensatory time earned by law enforcement officers is not calculated in accordance with the county personnel policy, and as a result, the county has incorrectly calculated compensatory time earned by law enforcement officers and may be paying more overtime to law enforcement officers than required. The county compensates law enforcement officers at time and a half for work hours in excess of 40 hours in a standard work week. The personnel policy indicates law enforcement personnel overtime compensation is awarded for hours worked in excess of 86 hours in a 2 week period and is based on the provisions of the Fair Labor Standards Act of 1938 (FLSA) that allow law enforcement personnel to be paid overtime on a "work period" basis.

### 2.2 Salaried employees

The county personnel policy does not address leave time earned by salaried employees, and records of vacation leave and sick leave earned, taken, and accumulated are not maintained for salaried employees. While this was



## Stone County Management Advisory Report - State Auditor's Findings

addressed in our prior audit report, the County Commission has not taken action to resolve this issue. As a result, there is no documentation to support or justify paid time off taken by these employees.

Additionally, the County Clerk's office prepares and distributes payroll for salaried employees on the 15th of each month for the period ending the last day of the month. As a result, salaried employees are paid in advance for their services. In one instance, a salaried employee resigned on August 18, 2011, and the county had to obtain reimbursement for wages already paid through August 31, 2011.

To ensure vacation and sick leave taken by salaried employees is reasonable and equitable, the County Commission should consider a policy that defines the leave benefits provided to salaried employees, and documentation should be maintained of leave time taken to support amounts disbursed. The documentation should be prepared and signed by the employee, approved by the appropriate county official and County Commission, and filed with the County Clerk. In addition, paying county employees in advance of hours actually worked may lead to errors and the potential for employees to be over paid.

### 2.3 Payroll reporting, withholdings, and contracted payments

The county did not properly report wages, withhold taxes, or pay the employer's share of Social Security and Medicare on additional compensation paid to some personnel. Additionally, some payments made to contractors were not properly reported.

- Some law enforcement personnel were paid additional compensation (above budgeted salary amounts approved by the County Commission through the normal budgeting process) from the Sheriff's discretionary funds. The Sheriff authorized additional wage payments for eight law enforcement personnel totaling \$1,820 and \$2,120 in 2010 and 2009, respectively. The amounts paid represented wage increases promised by the Sheriff that were not included in the county budget. These amounts were not reported on the employees' W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes were not paid.
- Some county employees received extra pay for working during elections. Payments totaling \$8,864 were made in 2010 and 2009. While these employees were paid an hourly wage in excess of their regular hourly wage, the compensation amounts were not calculated at time and a half for hours worked in excess of 40 hours per week. These amounts were not reported on the employees' W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes were not paid.





## Stone County Management Advisory Report - State Auditor's Findings

- As noted in our prior audit report, the county paid the Assistant Prosecuting Attorney a stipend totaling \$7,200 from the Prosecuting Attorney's Bad Check Fund for the 2 years ended December 31, 2010, that was not subject to payroll tax withholdings or reported on the employee's W-2 form, and the employer's share of payroll taxes were not paid. The county and Assistant Prosecuting Attorney entered into a written agreement in January 2007 for the provision of a monthly stipend to cover the additional cost of the county's family health insurance premium in addition to his salary compensation.
- The county considers off duty county law enforcement personnel providing tracking services for the 39th Judicial Circuit Drug Court as independent contractors. Payments totaling \$1,248 in 2010 and \$7,007 in 2009, were processed through the County Treasurer's office but were not reported or included in county employee wage amounts, and taxes were not withheld, matched by the drug court, or paid. By not considering these hours in conjunction with other reported county hours, overtime may not be calculated correctly.
- Some contracted payments for tracking services were not properly reported on Forms 1099-MISC. Drug court grant revenues are received and disbursed by the County Treasurer and other drug court revenues are accounted for by the Circuit Clerk. While individuals providing services for the drug court received Forms 1099-MISC from the county, only the payments made through the County Treasurer were reported. The Circuit Clerk paid additional contracted amounts totaling approximately \$4,500 in 2010 for the Drug Court that were not reported. In addition, the county failed to include contracted payments totaling \$1,905 paid by the county in 2010 in the amounts reported.

To ensure all employee compensation is properly reported and taxed, and overtime hours are properly calculated, all compensation should be paid through the normal county payroll process. The failure to properly report and tax all wages could result in penalty and interest charges assessed against the county. Further, to ensure amounts reported on Internal Revenue Service Forms 1099-MISC are complete and accurate, the County Clerk should include all compensation amounts paid by the County Treasurer and the Circuit Clerk.

### 2.4 Employment classification

The county considers the Emergency Management Director (EMD) to be an independent contractor; however, the county has not clearly documented why he qualifies as an independent contractor and does not maintain documentation of the work performed.

During 2009 and 2010, the county paid the EMD approximately \$10,000 annually without a written contract, time sheets, or other evidence to



## Stone County Management Advisory Report - State Auditor's Findings

document the work performed. Additionally, payroll taxes were not withheld from or paid on the compensation. The EMD is paid monthly and is provided county equipment. In September 2011, the County Commission approved a written contract with the EMD which states the Director works at such times and places as he or the County Commission deems necessary. As a result, it would appear the EMD may be considered a county employee, meaning payments should be reported on Forms W-2 and payroll taxes withheld. The county did issue a 1099 for the amount paid.

Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes. For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit federal income taxes. Further, documentation of work performed is necessary to ensure the reasonableness of amounts paid.

### 2.5 Payroll controls

Payroll records are not adequately reviewed to ensure leave time used and compensatory time earned are properly recorded. Our review of a total of 26 biweekly time cards (for 6 employees), identified two instances where sick leave taken was not properly posted to leave records and one instance where compensatory time earned was not properly calculated and posted to the employee compensatory time balance. While two employees in the County Clerk's office are responsible for processing payroll transactions, no one performs a review of the information input into the payroll system.

Without an adequate review process, the county cannot ensure payroll records are in agreement, and errors are detected and corrected timely.

### Recommendations

The County Commission:

- 2.1 Ensure compliance with the county overtime policy.
- 2.2 Consider adopting a policy that defines leave benefits provided to salaried employees, and require documentation be maintained of leave time taken. Additionally, the County Commission should discontinue compensating salaried employees in advance of receiving services.
- 2.3 Ensure all employee compensation is paid through the county's normal payroll process, properly taxed, and reported to the IRS. Additionally, the County Commission should work with the Associate Circuit Judge to determine the proper classification for off duty county law enforcement personnel working as trackers for the Drug Court, and ensure county issued Forms 1099-Misc include all payments for Drug Court contracted services.



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- 2.4 Ensure all persons hired by the county are clearly documented as employees or contract employees in compliance with IRS rules and regulations. In addition, the County Commission should ensure all compensation paid to employees is subject to payroll taxes and properly reported on W-2 forms, and documentation is maintained to support work performed.
- 2.5 Ensure payroll transactions are adequately reviewed for accuracy.

## Auditee's Response

*The County Commission provided the following written responses:*

- 2.1 *Overtime for law enforcement personnel is now being correctly computed.*
- 2.2 *Records detailing leave benefits earned and used for salaried personnel will now be maintained. Although the recommendation of the State Auditor's office to discontinue paying salary employees in advance is well founded, there has only been one instance where reimbursement of wages was required for a salaried employee, and the county successfully received reimbursement. A change in salary payment dates will create a financial hardship on these employees, and the County Commission needs to be conscience of the financial obligations of these employees.*
- 2.3 *Procedures will be implemented to process all county employee compensation through the county's normal payroll process with the appropriate taxes withheld and reporting requirements met.*
- 2.4 *We will review the Emergency Management Director's contract and determine the employment status of this position.*
- 2.5 *We will request the County Clerk to develop procedures for payroll transactions to be reviewed to ensure accuracy.*

## 3. Property Tax System

As similarly noted in our prior audit reports, controls and procedures over the property tax system need improvement. Annual settlements prepared by the County Collector for the years ended February 28, 2011 and 2010, reported collections of approximately \$27.9 million and \$27.5 million, respectively.

### 3.1 Review of property taxes and account book

The County Commission and County Clerk do not adequately review the activities of the County Collector. While the County Clerk maintains files of tax aggregate abstracts, additions and abatements, and the County Collector's monthly settlements, the County Clerk does not use this information to create an account book or other record summarizing property tax transactions and changes. As a result, the County Clerk and the County



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Commission are unable to ensure the accuracy and completeness of the County Collector's monthly and annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

### 3.2 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books for real and personal property. The County Collector extends and prints the current and back tax books and verifies the accuracy of the amounts to be collected. The County Collector is responsible for collecting property tax monies, and good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books. Failure to perform reviews of the tax books by an independent person may result in errors or irregularities going undetected. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.

### 3.3 Tax book changes

While the County Commission reviews and approves tax book abatements, the County Commission does not approve additions to the tax books or outlawed personal property taxes. Taxes totaling approximately \$380,000 and \$576,000 were added to the tax books during the years ended February 28, 2011 and 2010, respectively. Personal property taxes totaling approximately \$70,000 were outlawed and removed from the tax books during the year ended February 28, 2010, without the approval of the County Commission. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored, and errors or irregularities could go undetected. Section 137.260, RSMo, requires the tax books only be changed by the County Clerk under order of the County Commission. No taxes were outlawed during the year ended February 28, 2011.



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### 3.4 Annual settlements

The County Collector's annual settlements did not include all monies collected and distributed, and some monies were reported on the annual settlement twice. Additionally, some Tax Maintenance Fund monies collected were not reported on the annual settlement, distributed to the County Treasurer, and deposited in the Tax Maintenance Fund.

Interest income earned on the Collector's various bank accounts totaling \$21,603 during the year ended February 28, 2011, was not reported on the annual settlement. Also, partial payments totaling approximately \$64,000 were reported in both taxes collected and in other fees collected on the annual settlements prepared for the years ended February 28, 2011 and 2010.

Additionally, Tax Maintenance Fund collections totaling approximately \$30,000 were not properly included on the Collector's annual settlements during the years ended February 28, 2011 and 2010. These monies were not distributed to the County Treasurer, but were placed in a separate checking account the Collector opened in September 2009. According to the Collector, she did not disburse these monies to the County Treasurer because she is saving them to be used for matching funds for an archive grant which she plans to apply for in the future. As of September 30, 2011, the account balance was \$37,805. The County Commission and County Treasurer were not aware these funds were held by the County Collector. These amounts were not included by the County Collector in the Tax Maintenance Fund budget and a separate budget was not prepared.

To help ensure the validity of tax book charges, collections, and credits, and to ensure the County Clerk and County Commission properly verify these amounts, it is imperative the County Collector file complete and accurate annual settlements. Additionally, Section 52.315, RSMo, requires the tax maintenance monies to be disbursed monthly for deposit to the Tax Maintenance Fund.

## Recommendations

- 3.1 The County Commission and the County Clerk monitor property tax system activities and perform a thorough review of the County Collector's settlements. In addition, the County Clerk should maintain an account book with the County Collector.
- 3.2 The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the current and delinquent tax books prior to charging the County Collector with the property tax amounts.
- 3.3 The County Commission establish proper controls over property taxes added and outlawed.



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- 3.4 The County Collector file complete and accurate annual settlements and disburse all tax maintenance monies to the County Treasurer for deposit to the Tax Maintenance Fund.

## Auditee's Response

*The County Commission provided the following written responses:*

- 3.1 *We believe account book information is being compiled by the County Collector. As a result, we will request the County Clerk to work with the County Collector in maintaining an account book and ensuring its accuracy. We will initiate procedures to review the County Clerk's account book and compare it to the reports submitted by the Collector.*
- 3.3 *We will implement procedures to review tax book additions, as well as taxes outlawed.*

*The County Clerk provided the following written response:*

- 3.1 *Information for an account book is currently compiled by the County Collector. I will work with the County Collector in maintaining information for the account book and use the data when verifying the back tax books.*
- 3.2 *Tax books are printed in the Collector's Office, but procedures will be implemented to verify the tax books. Documentation of my review will be maintained.*

*The County Collector provided the following written response:*

- 3.4 *I will report all funds on annual settlements. Partial payments and bankruptcy payments received from citizens will not be reported on the annual settlement until funds are applied to property tax collections once paid in full. Funds for archive savings achieved through Tax Maintenance Fund fees will continue to accumulate in a separate fund in the collector's office. If funds are to be disbursed, then funds would be transferred to the regular Tax Maintenance Fund held by the County Treasurer for the County Treasurer to disburse to vendors. The funds will be reported as Tax Maintenance Archive Funds on the annual financial statement for Stone County.*

## 4. County Procedures

Procedures were not in place to monitor road monies paid to cities and villages, procedures over vehicle and fuel use need improvement, and the various county cellular phone contracts should be reviewed for efficiency. Additionally, a significant amount of funds are held in the Recorder User Fee Fund without an adequate plan for its use, and budgets prepared for this fund do not reflect realistic estimates.



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### 4.1 Contracts

Written contracts for the distribution of road sales tax monies to the various cities and villages in the county have not been updated since 1993, and the county does not monitor how the entities use these funds. During the 2 years ended December 31, 2010, road sales tax monies of \$76,100 were distributed based on the miles of roads within the entities at the time of the original agreement. The county has not requested and or received financial information from the entities regarding the use of the monies.

To ensure these monies are properly used for road related expenses, the county should establish formal procedures to monitor the use of monies paid to these entities and require financial reporting of how the funds are used. Additionally, contracts should be updated and renewed periodically to ensure the terms of the contract are still accurate.

### 4.2 Vehicle and fuel use

Improvement is needed in the controls and procedures over county vehicles and fuel use. Accounting records indicate bulk fuel purchases totaling approximately \$403,000 and \$360,000 were made in 2010 and 2009, respectively.

- The county maintains nine bulk fuel tanks at three road and bridge barn locations in the county. The fuel tanks are metered and gallons of fuel pumped are recorded on fuel use logs. While these logs are reviewed monthly by the County Commission, the total amount of fuel pumped is not reconciled to fuel purchases.
- The county maintains two bulk fuel tanks for use by the Sheriff's Department. The fuel tanks are metered and gallons of fuel pumped are recorded on fuel use logs. However, these fuel use logs are not reviewed or used to reconcile fuel use to fuel purchases. According to the Sheriff's clerk, she only receives and files the logs.

Procedures for reviewing fuel use and reconciling use to fuel purchased and on hand are necessary to ensure the reasonableness and propriety of fuel use and disbursements. The failure to account for fuel purchases could result in loss, theft, and misuse going undetected.

### 4.3 Cellular phones

The County needs to evaluate the various ways cellular phone service is provided to county employees and ensure charges for personal use of county provided phones is reimbursed in accordance with county policy.

During 2009 and 2010, the county paid a total of approximately \$92,000 for cellular phone related charges. The county provides 44 cellular phones to officials and employees, and 20 employees are paid a cellular phone allowance ranging from \$20 to \$60 per month for using their personal cellular phones for county business. Various county officials have different cellular phone plans with individual monthly phone charges ranging from \$30 to \$100 per month. The County Commission has not reviewed the



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various plans to determine if combining the plans would be more cost efficient.

Additionally, some county officials and employees indicated they do not have a personal cellular phone and use the county owned cellular phones more for personal use than for business purposes. While the county's cellular phone policy requires additional charges for personal use be reimbursed to the county, the County Treasurer indicated she did not receive any employee reimbursements during 2009 and 2010. Our review noted numerous instances of picture messaging and ringtone charges that would appear to be personal in nature. Further, no supporting documentation was obtained from employees for some cellular phone allowances paid.

To ensure the cost of cellular phone service is reasonable, the County Commission should review the various county plans and consolidate plans to reduce costs. Additionally, personal charges on county cellular phones bills should be reimbursed in accordance with county policy.

### 4.4 Recorder User Fee Fund

Budget documents prepared by the Recorder of Deeds for the Recorder User Fee Fund do not properly reflect the anticipated ending cash balance, and the Recorder does not have an adequate plan for the funds accumulated.

The Recorder budgeted to spend an estimated \$350,000 for records preservation and \$55,000 for office equipment purchases for the 2 years ended December 31, 2011. However, only minimal purchases were made with actual expenditures for record preservation totaling \$6,032 and office equipment purchases totaling \$153 for the same period, resulting in significant over budgeting of disbursements and an unreasonable estimate of the ending cash balance. The cash balance of the Recorder User Fee Fund has accumulated from approximately \$194,000 in 2009 to over \$255,000 at December 31, 2011. The practice of routinely budgeting to spend significantly more resources than truly intended decreases the effectiveness of the budget as a control over disbursements.

The Recorder of Deeds should work with the County Commission to review the fund balance and develop a plan to utilize the funds as allowed by Section 59.319, RSMo. For budgets to be of maximum assistance to the county and to the general public, amounts should be more reasonably estimated.

## Recommendations

The County Commission:

- 4.1 Establish procedures to monitor the use of the road sales tax monies paid to cities and villages, and periodically update contracts.





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- 4.2 And Sheriff require fuel use logs be reviewed for accuracy and reconciled to fuel purchases and investigate significant discrepancies.
- 4.3 Review the various county cellular phone plans and consolidate some plans to reduce costs. Additionally, the County Commission should ensure personal charges on county cellular phone bills are reimbursed in accordance with county policy.
- 4.4 And Recorder of Deeds establish reasonable estimates for disbursements, review the Recorder User Fee Fund balance, and develop a plan to utilize the funds as allowed by state law.

## Auditee's Response

*The County Commission provided the following written responses:*

- 4.1 *We will review the contracts and request the cities and villages provide an accounting for the use of these monies.*
- 4.2 *We will improve current procedures to adequately review the county's fuel purchases, and request the Sheriff provide copies of his fuel logs to the County Clerk, whose personnel will reconcile fuel use to fuel purchases. We will request that the County Clerk present the reconciliations to the County Commission on a monthly basis.*
- 4.3 *The County's communications dependency on landline-based phones and faxes has lessened and use of cell phones and tablets has increased. In some County offices landline phone costs have decreased. Verizon's 2009 purchase of Alltel, the County's cell provider, required that the County incur costs for replacing obsolete cell phones.*

*In 2011 the County Clerk began tracking and categorizing individual cell phone use. The County Commission is seeking alternatives to reduce the County's cell phone expenses. We will discuss cell phone use with the various county officials. We agree cellular phone services currently maintained by some of the county employees and officials may not be necessary. We will review to determine if providing monthly allowances to some county employees and officials would be more cost effective. County personnel have recently contacted the cellular phone provider and the provider is not willing to work with the county to provide better rates for a consolidated plan. We will review the county policy and encourage county officials to require employees to reimburse for personal charges on the county's bill.*



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4.4 *The County Commission will work with the County Recorder on developing a plan to utilize the funds.*

*The Sheriff provided the following written response:*

4.2 *Procedures will be implemented to review the Sheriff Department's fuel purchases.*

*The Recorder provided the following written response:*

4.4 *It was the intent of the Recorder's Office to spend all budgeted funds for imaging of old county documents, but due to other project delays, the back imaging project is now scheduled for the current budget year. This project will expend a large amount of the excess in this fund.*

## **5. Sheriff's Controls and Procedures**

### **5.1 Bank reconciliations and liabilities**

The lack of proper reconciliation procedures over the Sheriff's bank account allowed various errors and a shortage of \$5,206 to go undetected. Duties are not adequately segregated, and travel costs are not accounted for properly.

Adequate reconciliation procedures are not performed on the Sheriff's bank account resulting in several deposit and disbursement errors not being identified timely. While bank statements are reviewed to ensure checks and deposits clear, the checkbook balance is not reconciled to the bank statement, and a list of liabilities is not prepared and compared to the account balance. At our request, a Sheriff Department employee compared accounting records to bank records from September 2009 through May 2011. Errors identified include the following:

- Inmate Social Security payments totaling \$3,800 direct deposited into the Sheriff's account between January 2010 and May 2011 were not receipted into the accounting records or disbursed to the County Treasurer. These payments remain in the bank account and are considered liabilities.
- A \$500 disbursement was made in March 2010 to a municipal court for a cash bond that was later determined to be a surety bond. The municipal court had disbursed the funds and would not reimburse the county for the overpayment.
- Cash bonds totaling \$255 received in January 2010 were not disbursed to the court.
- Disbursements to the County Treasurer were not made monthly and at May 31, 2011, fees for April 2011 totaling \$20,602 had not been disbursed. According to the Sheriff's bookkeeper, fees were not turned



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over monthly because the bank account was short and she did not want to write an insufficient funds check.

After all identified errors were considered, the Sheriff's employee identified the bank account had a shortage of \$5,206 when compared to liabilities. Similar to shortages identified during prior audits, the Sheriff indicated additional monies would be transferred from the Sheriff's Civil Fee Fund to the Sheriff's bank account to correct the shortage in the account and ensure sufficient cash is available to pay all liabilities. While the transfer will make up for the shortage, it may not be an appropriate use of the Sheriff's Civil Fee Fund monies, and will not address the cause of the shortage.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities, adequate reconciliations of accounting records and bank statements should be performed, and monthly lists of liabilities should be prepared and reconciled to cash balances. Such procedures are necessary to ensure monies are properly disbursed to individuals and/or entities for which the monies were collected. Further, Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the County Treasurer.

## 5.2 Segregation of duties

Accounting duties are not adequately segregated. The bookkeeper is responsible for receiving, depositing, and disbursing all monies. While the Sheriff reviews monthly reports and the criminal data technician reviews bank statements for clearing of checks and deposits, these procedures were not adequate to identify the errors and shortage noted above.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Sheriff should implement a documented independent or supervisory review to ensure the bank records are in agreement with the accounting records.

## 5.3 Travel costs

The Sheriff's department does not have adequate supporting documentation, as required by the county travel reimbursement policy, for some travel related disbursements, and advance travel payments made to law enforcement personnel are not reconciled in a timely manner at the conclusion of the related travel. Additionally, the daily per diem rate approved by the Sheriff and paid from the Sheriff's Civil Fee Fund was above the rate allowed in the county policy. Law enforcement personnel attend numerous trainings as a condition of Peace Officer Standards and Training (POST) requirements in addition to travel related to law enforcement duties throughout the year.



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- Adequate documentation was not available to support \$6,205 paid from the Sheriff's Civil Fee Fund for travel and related costs for the Sheriff and a deputy to attend a 5 day National Sheriff's Association conference in Fort Lauderdale, Florida in 2009. No documentation was available to support the costs paid in advance for air fare (\$840), lodging (\$3,571), or car rental (\$800) for both attendees. Additional costs include the per diem (\$994) discussed below.
- County policy allows a per diem of up to \$35 per day; however, the amount paid from the Sheriff's Civil Fee Fund appears to exceed this amount. The Sheriff indicated he uses the federal per diem rate, and paid rates as high as \$53 per day. Additionally, the rate paid is not always documented. For example, it is not clear how the \$994 per diem paid to the Sheriff (\$524) and a deputy (\$470) for the Fort Lauderdale, Florida conference discussed above was calculated.
- Supporting documentation and funds remaining from travel advances paid to the Sheriff and his employees are not accounted for and returned to the County Treasurer timely. For example, a travel advance of \$1,449 was paid from the Sheriff's Civil Fee Fund to the Sheriff to attend a 4 day Shooting, Hunting, and Outdoor Trade Show in January 2010 in Las Vegas, Nevada. Unspent travel funds totaling \$438 were not returned to the County Treasurer until February 2011. Additionally, a deputy received a \$1,000 travel advance in June 2009, but an accounting of funds was not submitted until November 2010.

To ensure travel related costs are reasonable and appropriate, documentation should be maintained of all costs. Additionally, timely reconciliations of travel advances to actual travel costs are necessary to ensure disbursements are for proper purposes and all cash advances are accounted for properly.

## Recommendations

The Sheriff:

- 5.1 Properly reconcile accounting records to monthly bank statements, prepare monthly lists of liabilities, reconcile bank account balances to liabilities monthly, and ensure any differences between accounting records and reconciliations are investigated and resolved. Additionally, the Sheriff should ensure monies are disbursed to the County Treasurer monthly.
- 5.2. Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.



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- 5.3 Ensure all travel reimbursement amounts are in accordance with county policy and are supported by adequate documentation. Additionally, advance travel payments should be reconciled with actual travel costs in a timely manner.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 5.1 *In November 2011, we opened a new account and we are now balancing monthly, including disbursing funds to the County Treasurer monthly. The old account was closed and \$4,329 was transferred from the Sheriff's Revolving Fee Fund to the old account to balance.*
- 5.2 *We have implemented procedures to properly segregate accounting duties.*
- 5.3 *Documentation was maintained for the 2009 trip to Florida, but was not located during the audit. Documentation has been maintained for 2010 and 2011 travel expenses and all travel advancements have now been accounted for. There have been some instances of remaining funds not being returned to the county treasury timely due to the increased workload of the department, but in these instances, all funds were secured until transmitted to the County Treasurer. The County Commission does not provide funds out of the General Revenue Fund for law enforcement training, travel, per diem or additional expenses for officers. These expenses are paid from the Sheriff's discretionary funds.*

## 6. Prosecuting Attorney's Controls and Procedures

Some weaknesses exist in accounting controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney's office collects bad check restitution and related fees, court-ordered restitution, and delinquent taxes.

### 6.1 Bad check computer controls

The computerized bad check system allows the user to change the date of receipt slips or checks and allows for these documents to be post- or pre-dated. We noted some receipt slips and one check were not dated in sequential order.

To properly account for all monies received and disbursed, all receipt slips and checks should be dated in sequential order. To prevent changes from being made to dates of receipt slips and checks, consideration should be given to contacting the software programmer to add control features to the bad check program to prevent these changes.



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## 6.2 Adjustments

The bad check clerk has the ability to post adjustments to the computer system without obtaining independent approval. The bad check clerk is also responsible for receiving, recording, and depositing bad check monies received. Several adjustments were made to bad check defendant accounts to remove amounts due from the system. Reasons noted with the adjustment entry included defendant incarcerated or defendant paid vendor directly. Approval to make adjustments in the accounting system was not documented.

To ensure the validity and propriety of all adjustments, someone independent of receipting and recording functions should review and approve all adjustments.

## 6.3 Reconciliations and liabilities

Procedures to reconcile the balance of the bad check/restitution bank account are not sufficient. Bank reconciliations performed are not complete, and only transactions that have cleared the bank are considered. While outstanding deposits and checks are identified, reconciliations are not performed between book and bank balances. The bad check clerk disburses all money received monthly and believed the only monies remaining in the bank account were the accumulated interest. Using the various reports the bad check clerk regularly generates and the bank statements, we determined identified liabilities exceeded the cash balance by \$382 at June 30, 2011. The bad check clerk was unsure what caused the shortage.

Without performing a complete bank reconciliation, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished. Such procedures are necessary to ensure monies are properly disbursed.

## Recommendations

The Prosecuting Attorney:

- 6.1 Ensure dates of receipt slips and checks are in sequential order, and consider contacting the software programmer to add control features to prevent date changes.
- 6.2 Require supervisory review and approval for accounting adjustments and waivers, and retain adequate documentation to support all adjustments.
- 6.3 Ensure complete monthly bank reconciliations are prepared and determine the cause of the \$382 shortage.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 6.1 *We have contacted the software company and stronger computer controls for document dates will be added.*



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- 6.2 *Procedures will be implemented to have an independent approval for adjustments and waivers, along with adequate documentation of the transaction and approval.*
- 6.3 *Monthly bank reconciliations will be prepared. We believe the shortage could be related to separate bank accounts for cash and check depositing in accordance with the county's depository agreement. We are considering implementing different procedures to aid us in tracking these deposits.*

## 7. Computer Controls and County Assets

Controls over computer systems and assets are not sufficient for proper accountability and to prevent unauthorized access.

### 7.1 User identifications and passwords

Passwords for most county computer systems are not changed on a periodic basis to ensure confidentiality. In addition, unique user identifications are not required to log on to computers in the Prosecuting Attorney's office.

The lack of an effective system of user identifications and passwords may allow unauthorized access and/or changes to the system. To control access, a unique user identification and password should be assigned to each user of a system. These passwords should be kept confidential and changed periodically to help limit unauthorized access to computer files.

### 7.2 Computer backups

Data backup procedures are not adequate. Backups are not prepared by the planning and zoning department. The Collector does not store her supplemental accounting data backups at an off-site or fire proof location. Additionally, the Collector and Prosecuting Attorney do not test their backup information.

Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. In addition, periodic testing of backup data is necessary to help prevent loss of information and ensure all essential county information and computer systems can be recovered following a disaster or computer failure.

### 7.3 Property records

The County Clerk does not have adequate procedures in place to identify property purchases and dispositions throughout the year, and county property records have not been updated for several years. In addition, physical inventories of county property are not performed by county officials and updated county property lists are not turned over to the County Clerk.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in inventory records. Adequate county property records and procedures are necessary to ensure effective



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internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur. Physical inventories, proper tagging of county property items, and periodic comparisons of inventories to overall county property records are necessary to evaluate the accuracy of records, and deter and detect theft.

Similar conditions were noted in our prior report.

## Recommendations

The County Commission:

- 7.1 Require unique user identifications for all employees who have access to county computer systems, and change passwords periodically.
- 7.2 Work with county officials to ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.
- 7.3 And County Clerk implement procedures for tracking and tagging capital asset purchases throughout the year and work with other county officials to ensure a complete and accurate inventory is performed annually.

## Auditee's Response

*The County Commission provided the following written responses:*

- 7.1 *We will work with county officials to implement a county policy for stronger computer controls.*
- 7.2 *We will work with county officials to review the county's current computer security and backup procedures and a policy will be implemented.*
- 7.3 *The County Clerk has indicated that she has now implemented procedures to monitor the county's assets. We will work with the Clerk to ensure inventories are performed annually.*

*The County Clerk provided the following written response:*

- 7.3 *My office now has procedures in place to track county asset inventory as well as asset purchases to ensure all new assets are properly tagged.*

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## 8. Meetings and Records

Some concerns were identified regarding minutes maintained by the county.

- Open meeting minutes did not always document specific reasons for closing the meeting or the specific section of law that allows for a





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closed meeting, and the roll call vote to close meetings was not documented in the open minutes.

- Closed meeting minutes were not available for two of the nine closed meetings held between January 1, 2010, and July 31, 2011.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and requires records of votes, including roll call votes before closing a meeting. Additionally, the Sunshine Law requires open minutes document the reason for closing a meeting and limits discussions in closed meetings to only those specifically allowed by law.

## Recommendation

The County Commission ensure minutes are prepared and comply with state law regarding closed meetings.

## Auditee's Response

*The County Commission provided the following written response:*

*This recommendation has been implemented.*

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# Stone County

## Organization and Statistical Information

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Stone County is a county-organized, third-class county. The county seat is Galena.

Stone County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 153 full-time employees and 4 part-time employees on December 31, 2010.

In addition, county operations include a County Highway Commission, Planning and Zoning Board, Senior Citizens' Services Board, a Law Enforcement Restitution Board, and neighborhood improvement districts (NIDs).

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
Dennis Wood, Presiding Commissioner	\$	36,455
Kenneth Booth, Associate Commissioner		34,155
Jerry Dodd, Associate Commissioner		34,155
Amy Jo Larson, Recorder of Deeds		51,750
Judy Berkstresser, County Clerk		51,750
Matt Selby, Prosecuting Attorney		109,366
Richard Hill, Sheriff		57,500
Kristi Stephens, County Treasurer		51,750
Rick Stumpff, County Coroner		18,400
Glenda Wendy Metcalf, Public Administrator		51,750
Vicki A. May, County Collector, year ended February 28 (29),	51,750	
Brad Hudson, County Assessor, year ended August 31,		51,750
Rick Kemp, County Surveyor (1)		0

(1) Compensation on a fee basis.

### Financing Arrangements

The county issued refunding certificates of participation series 2009 for \$3.69 million for the purpose of refinancing 1998 certificates of participation of \$2.155 million and 2000 Black Oak Mountain Resort NID



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Stone County  
Organization and Statistical Information

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bonds of \$1.710 million. Principal payments are due on December 1 annually and interest payments are due June 1 and December 1 semi-annually with annual interest rates varying from 3.00 to 4.10 percent. At December 31, 2010, the principal balance was \$3,565,000.

**Neighborhood Improvement  
District (NID) Assessment**

Although the special assessments levied for the Black Oak Mountain Resort NID were sufficient to pay the debt service, significant delinquencies in special assessment collections for the last several years have resulted in the county supplementing funds to cover bond payments. The unpaid balance of the bonded indebtedness at December 31, 2010, is approximately \$1.6 million. The amount the county pays varies annually but has averaged approximately \$72,000 per year since 2003. The County Treasurer tracks the balance owed to the county by the Black Oak Mountain Resort NID and as of December 31, 2010, the amount owed to the county is \$580,499. The county continues to work with legal counsel to recover these funds.

**American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)**

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A \$118,754 Edward Byrne Memorial Justice Assistance grant was awarded by the U.S. Department of Justice for law enforcement equipment and vehicles. During the 2 years ended December 31, 2010, \$118,754 was received and expended by the county related to this grant. The county expended \$63,862 for three law enforcement vehicles and \$54,892 for a computer and other law enforcement equipment.

A \$33,633 Recovery STOP Violence Against Women Act Program grant was awarded by the Missouri Department of Public Safety for payroll costs for a Crime Victim Advocate. During the 2 years ended December 31, 2010, \$33,633 was received and expended by the county related to this grant. After grant funds were utilized, the county continued to fund the victim advocate position.

A \$113,284 Homeless Prevention and Rapid Re-Housing Program grant was awarded by the Missouri Department of Social Services for ongoing case management, financial assistance, and property inspections. During the 2 years ended December 31, 2010, \$71,795 was received and expended by the county through a subgrantee related to this grant.



Thomas A. Schweich  
Missouri State Auditor

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# Branson Landing Transportation Development District



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May 2012

Report No. 2012-39

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Branson Landing Transportation Development District

Background	The Branson Landing Transportation Development District (TDD) was formed in 2005 and is located in the City of Branson. The City of Branson is the sole owner of land within the district. Because the TDD is located in a TIF, 50 percent of the sales tax collected is deposited into accounts relating to TIF projects and the remaining TDD sales tax revenues are used to pay transportation project costs financed by the city. Total debt service costs allocated to the TDD over the life of various Infrastructure Facility Revenue Bonds were \$42.6 million.
Comments	No findings resulted from the audit of the Branson Landing TDD. The audit notes the revenues generated by the TDD through 2011 are not sufficient to meet the financial obligations allocated to the district, but the debt payments are the responsibility of the City of Branson, which used other taxes and city revenues to fund the remaining debt payments due.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Branson Landing Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Branson Landing Transportation Development District Table of Contents

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Raeanne Presley, Chairman  
and  
Board of Directors  
Branson Landing Transportation Development District  
Branson, Missouri

We have audited certain operations of the Branson Landing Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the TDD, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the TDD's management and was not subjected to the procedures applied in our audit of the TDD.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Branson Landing Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	Michelle Crawford, M.Acct.



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# Branson Landing

## Transportation Development District

### Organization and Statistical Information

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The Branson Landing Transportation Development District (TDD) is located in the City of Branson. The TDD was formed in 2005 under a petition submitted by the City of Branson which is the sole owner of property within the district. The city leases portions of the land within the district to private businesses. The Branson Landing development includes a hotel and convention center, mixed-use retail establishments, and commercial and residential properties. The retail establishments and hotel located within the TDD collect and remit the TDD sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR sends the monies to the City of Branson which serves as the administrator of the TDD.

The TDD has a year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of financing a portion of several related transportation projects with a total estimated cost of approximately \$53.8 million. The Missouri Department of Transportation (MoDOT) and the City of Branson were the public entities with jurisdiction over these projects and accepted dedication of the completed projects.

MoDOT and the City of Branson were responsible for overseeing construction of the projects. The City of Branson was also responsible for reviewing and approving transportation project costs incurred.

Because the district is located within a Tax Increment Financing (TIF) area, 50 percent of the sales tax is deposited into accounts relating to the TIF projects. In addition, pursuant to a formal agreement between the district and the city, the remaining TDD sales tax revenues are used to pay transportation project costs financed by the city.

The Missouri Development Finance Board issued a total of approximately \$176.3 million in Infrastructure Facility Revenue Bonds on behalf of the city in January 2003 (\$56.3 million), June 2004 (\$40 million), and September 2005 (\$80 million) to finance the costs of the Branson Landing Redevelopment Project and refund certain other obligations of the city. Portions of the 2004 and 2005 bonds were used to finance TDD-eligible costs totaling approximately \$12.4 million. Total debt service costs of \$42.6 million were allocated to the TDD over the life of the bonds.

Revenues generated by the Branson Landing TDD through 2011 have not been adequate to meet financial obligations allocated to the district. However, the debt payments are the responsibility of the City of Branson which used TIF, tourism sales tax, transportation sales tax, and other city revenues to fund the balance of the debt payments due.



Branson Landing  
Transportation Development District  
Organization and Statistical Information

District Board

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board are the mayor and members of board of aldermen of the City of Branson. Members of the district board at December 31, 2011, were:

Raeanne Presley, Chairperson  
Rick Davis, Vice-Chairman  
Mike Booth, Secretary  
Cris Bohinc, Treasurer  
Bob Simmons, Member  
Rick Todd, Member  
Patrick Parnell, Member

Selected Information on  
the District

Estimated Project Costs	\$53.8 million
Project Costs Allocated to the TDD	\$12.4 million
Debt Service Costs Allocated to the TDD	\$42.6 million
Estimated TDD Life	30 years
Total Estimated Revenues	\$47.1 million
Sale Tax Rate	1 percent
TDD is within a TIF District?	Yes

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Branson Landing Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



Branson Landing  
Transportation Development District  
Organization and Statistical Information

Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, 2011 follows:

	Year Ended December 31,	
	2011	2010
Receipts:		
Sales taxes	\$ 1,185,162	1,013,002
Total Receipts	<u>1,185,162</u>	<u>1,013,002</u>
Disbursements:		
Debt service	592,581	502,067
Collection fees	0	4,434
Tax increment financing	<u>592,581</u>	<u>506,501</u>
Total Disbursements	<u>1,185,162</u>	<u>1,013,002</u>
Revenues Over (Under) Disbursements	0	0
Beginning Cash Balance	<u>0</u>	<u>0</u>
Ending Cash Balance	<u>\$ 0</u>	<u>0</u>



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Village of Rayville

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May 2012

Report No. 2012-38



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<http://auditor.mo.gov>

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# Village of Rayville

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Chairman and Members of the Board of Trustees  
Village of Rayville, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-92, *Village of Rayville*, issued in November 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the village about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the village, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by village officials and held discussions with the Village Collector concerning steps they had taken to address each recommendation in the audit report. Documents included a copy of the village's financial accounting system (Excel file), bank reconciliations, meeting minutes, the budget, the trash contract, and the official's bond, and a check book register. This report is a summary of the results of this follow-up work, which was substantially completed during March 2012.

The citizens of the Village of Rayville voted to disincorporate the village in April 2012.

Thomas A. Schweich  
State Auditor

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# Village of Rayville

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Accounting Controls and Procedures	Accounting controls and procedures utilized by the village needed improvement.
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1.1 Fund Accounting	<p>The village did not have an adequate and complete financial accounting system. The following concerns were noted:</p> <ul style="list-style-type: none"><li>• Monthly receipt and disbursement ledgers were prepared from the monthly bank statement rather than actual receipts and disbursements made during the month.</li><li>• The village had not established a separate fund or separate accounting for its cleanliness user (trash) fees. In addition, the village did not have documentation to justify the trash fee assessed to ensure the fee was sufficient to cover the costs of the trash operations, but was not excessive.</li><li>• The village had not established a separate fund or separate accounting for motor vehicle-related monies received from the state, and did not monitor the use of these funds to ensure compliance with state law.</li></ul>
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Recommendation	<p>The Board of Trustees ensure a complete financial accounting system is established. Funds should be established for the village's cleanliness user fees and motor vehicle receipts. Summaries should be prepared documenting monthly receipts sources and disbursements types. In addition, the Board of Trustees should document how village cleanliness user fees were determined and ensure the fees are sufficient to cover costs without being excessive.</p>
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Status	<p><b>In Progress</b></p> <p>The village is maintaining a complete financial accounting system in an Excel file. Separate funds have been established for the cleanliness user fees and motor vehicle receipts, and summaries of monthly receipt and disbursements are maintained for the different funds. However, the village has not established cash balances for all funds so the cash balance is reported as total village funds versus an amount per each individual fund. Since separate funds were not previously maintained, the village does not know the cash balance for each individual fund. The village cleanliness user fees have not been revised so documentation is not available to support how the fees were determined and to ensure the fees were sufficient to cover costs without being excessive.</p>
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1.2 Bank Reconciliations	<p>Monthly bank reconciliations were not adequate. The village did not maintain a running cash balance, so the village did not know the applicable balance to reconcile to when preparing the reconciliation.</p>
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Village of Rayville  
Follow-up Report on Prior Audit Findings  
Status of Findings

Recommendation	The Board of Trustees ensure complete bank reconciliations are performed, and account balances are maintained in the check book register.
Status	<b>Implemented</b>  A bank reconciliation was performed for February 29, 2012. This bank reconciliation was reviewed and the bank reconciliation balance was agreed to the balance maintained in the check book register.
1.3 Segregation of Duties	The duties of the Village Collector were not adequately segregated, and the Board of Trustees did not provide adequate supervision or review of the work performed by the Village Collector.
Recommendation	The Board of Trustees segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.
Status	<b>Partially implemented</b>  Duties have not been segregated and one person is still primarily responsible for all accounting duties. The Village Collector indicated that while financial records and bank reconciliations are available for the Board to review, the information may or may not be reviewed, and if reviewed, the review is not documented.
1.4 Disbursements	Disbursements were not always approved by the Board before payment was made. Board meetings were not held during October, November, or December 2010. During this period, some checks were signed by the Collector or the Village Clerk, and approved by only one board member.
Recommendation	The Board of Trustees review and approve all disbursements, and ensure the review and approval is documented.
Status	<b>Implemented</b>  A list of disbursements is presented to the Board for approval, and the approval of bills to be paid is documented in the minutes.
1.5 Bonds	Village officials were not bonded.
Recommendation	The Board of Trustees obtain bond coverage for all officials with access to village assets.
Status	<b>Implemented</b>  A bond was obtained for all officials with access to village assets.





Village of Rayville  
Follow-up Report on Prior Audit Findings  
Status of Findings

2. Meetings, Minutes, and Ordinances	Procedures for conducting and documenting meetings need improvement, village ordinances were not up to date, and an issue of nepotism occurred.
2.1 Minutes	Formal minutes were not maintained for the July, August, and September 2010 meetings.
Recommendation	The Board of Trustees ensure meeting minutes are maintained as required by state law.
Status	<b>Implemented</b>  Minutes appear to have been maintained since June 2011.
2.2 Closed Meetings	Three closed meetings were held without a vote to close the meeting. Additionally, minutes maintained for the closed meetings indicated topics discussed did not appear to be allowable by state law.
Recommendation	The Board of Trustees ensure the vote to close a session is documented in open minutes, along with the reason for closing the session. In addition, the Board of Trustees should ensure only allowable subjects are discussed in closed sessions.
Status	<b>In Progress</b>  The village has not had any closed meetings since the audit report was issued.
2.3 Ordinances	Ordinances of the village were not complete, well organized, and up to date.
Recommendation	The Board of Trustees ensure ordinances are maintained in a complete, and up to date manner.
Status	<b>Partially implemented</b>  All new ordinances are maintained in a complete and up to date manner. However, older ordinances have not been reviewed and updated.
2.4 Nepotism	According to Board minutes, in April 2011, Trustee Campbell voted to appoint his wife as the Village Clerk. Although the Village Clerk was an unpaid position, the appointment was nepotism.
Recommendation	The Board of Trustees ensure Board trustees abstain from voting when a relative's appointment is involved, and consult legal counsel regarding the nepotism issue.



Village of Rayville  
Follow-up Report on Prior Audit Findings  
Status of Findings

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Status

**Partially implemented**

The village has not hired anyone since the audit report was issued. The village did consult with legal counsel regarding the nepotism issue, and legal counsel indicated it was not required for Trustee Campbell to resign.

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3. Police Vehicle

The village did not have a plan for the use of a police vehicle.

Recommendation

The Board of Trustees should make a decision regarding the police vehicle.

Status

**Not implemented**

The village still has the police vehicle, and it was indicated a decision on the police vehicle would be made pending the result of the vote regarding disincorporation.

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4. Budgets

While budgets were prepared, they did not contain all elements required by state law, and the adoption of budgets was not documented.

Recommendation

The Board of Trustees prepare annual budgets which contain all information required by state law, and approve and document its approval of budgets prior to the beginning of the fiscal year.

Status

**Partially Implemented**

While improvements were made to the budgets, the budgets still did not contain all information required by state law. The 2012 budget was approved in January 2012, since the village did not have a Board meeting in December 2011.

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5. Contracts

The village did not have current formal written agreements with the company providing trash collection services and the Richmond Rural Fire Protection Association for fire protection services.

Recommendation

The Board of Trustees obtain formal written agreements that specify the services to be rendered and the manner and amount of compensation to be paid.

Status

**Partially Implemented**

A contract was obtained with the trash collection vendor. While monies have been budgeted for fire protection services, a contract was not obtained with the Richmond Rural Fire Protection Association and the village is exploring various other options.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Thirty-Eighth Judicial Circuit City of Sparta Municipal Division



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May 2012

Report No. 2012-37

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<http://auditor.mo.gov>

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# Thirty-Eighth Judicial Circuit, City of Sparta Municipal Division

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge  
Thirty-Eighth Judicial Circuit  
and  
Municipal Judge  
City of Sparta, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-109, *Thirty-Eighth Judicial Circuit, City of Sparta Municipal Division*, issued in November 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the court, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed reports summarizing the status of our recommendations and supporting documentation submitted by the Court Clerk. We also met with the Court Clerk to seek clarification and review additional documents. Documentation provided by the Court Clerk included various accounting records and bank statements. This report is a summary of the results of this follow-up work, which was substantially completed during March 2012.

Thomas A. Schweich  
State Auditor

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# Thirty-Eighth Judicial Circuit, City of Sparta Municipal Division

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Receipting and Depositing	Significant weaknesses were identified with receipting and depositing procedures of the municipal division. As a result, there was no assurance all municipal division receipts were accounted for properly.
1.1 Receipts	Receipt slips were not issued for some monies received, and the method of payment (cash, check, or money order) was not always recorded on receipt slips and reconciled to deposits. In addition, city water/sewer manual receipt slips were issued for some municipal division monies received, but these receipts were not reconciled to municipal division receipt records, and all copies of these receipt slips were removed from the receipt book making it difficult to ensure all monies were accounted for properly.
Recommendation	The City of Sparta Municipal Division issue receipt slips for all monies received, document the method of payment on receipt slips, and reconcile the composition of receipt slips to the composition of deposits. Additionally, the municipal division should work with the city to ensure municipal division monies received by the city are separately recorded and reconciled to municipal division receipt records.
Status	<b>In Progress</b>  Receipt slips were issued for all monies received at the time of our follow-up. While no method of payment was documented for January or February 2012 receipts issued on the cash receipts journal, the March 2012 cash receipts journal did document cash or check. Additionally, totals were included on the cash receipts journal for each deposit to show reconciliation of all journals, and city water/sewer manual receipt slips have not been issued for municipal division monies since the release of the audit.
1.2 Deposits and cash refunds	Receipts were not deposited intact or in a timely manner, and numerous bond refunds were issued from cash receipts.
Recommendation	The City of Sparta Municipal Division deposit monies intact and in a timely manner, and discontinue the practice of issuing cash refunds for bond monies.
Status	<b>In Progress</b>  Our follow-up indicated monies are now deposited intact, and although most deposits are now made more timely, some deposits still showed delays of 8 to 15 days after receipt. Bond refunds are now issued by check.
2. Liabilities and Disbursements	Monthly lists of liabilities were not complete and reconciled to monies available in the municipal division bank account. Additionally, procedures were not established to routinely investigate bonds and partial payments remaining on the liabilities list over a specified period of time. Further, court costs were not disbursed timely.



38th Judicial Circuit, City of Sparta Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

**2.1 Liabilities** A monthly list of liabilities was not always prepared, and when prepared was not accurate. Overpayments totaling \$1,964 were made to the Police Fund from the municipal division bank account. As a result, the municipal division bank account did not have adequate funds to pay all amounts owed. In addition, the division did not adequately follow up on bonds held for an extended period of time, forfeit bonds to the city in a timely manner, or disburse partial payments timely.

**Recommendation** The City of Sparta Municipal Division prepare monthly liabilities lists and reconcile lists to the balance in the municipal division bank account. In addition, the municipal division should disburse \$1,964 from the Law Enforcement Fund to the municipal division bank account, and develop procedures to monitor liabilities and ensure monies are appropriately disbursed.

**Status** **In Progress**

The municipal division provided us a February 2012 bank reconciliation and a liabilities list; however, the liabilities list was not updated to correct the inaccuracies identified during the audit. According to the Court Clerk, the City Clerk resigned on March 8, 2012, and she believed the \$1,964 had been transferred from the Law Enforcement Fund to the General Fund; however, documentation could not be provided.

**2.2 Court costs** Fines and costs collected by the municipal division were not always disbursed to the city and state in a timely manner.

**Recommendation** The City of Sparta Municipal Division disburse fines and costs in a timely manner.

**Status** **Implemented**

The municipal division provided documentation to show fines and costs collected in January 2012 were disbursed on February 9, 2012.

**3. Segregation of Duties** Duties were not adequately segregated. The Court Clerk performed all duties related to collection of funds, deposit preparation, and posting fines and court costs received. Neither the Municipal Judge nor other city officials independent of the cash custody and record keeping functions provided any supervision or review of her work.

**Recommendation** The City of Sparta Municipal Division segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.



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38th Judicial Circuit, City of Sparta Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Status**

**In Progress**

According to the Court Clerk, the municipal division established procedures for the City Clerk to review each deposit and reconcile deposits to the cash receipts journal; however, this review was not documented. The City Clerk resigned March 8, 2012, and the Court Clerk filled the roles of City Clerk and Court Clerk during our follow-up visit, as a result, duties were not adequately segregated at the time of our visit.

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**5. Traffic Ticket  
Accountability**

Neither the city Police Department nor the municipal division adequately accounted for the numerical sequence and ultimate disposition of traffic tickets issued.

**Recommendation**

The City of Sparta Municipal Division work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

**Status**

**Implemented**

The Police Department has implemented a new computer system with the ability to track each citation and its disposition. The Court Clerk has computerized her dockets which allows her to sort by citation numbers and account for the numerical sequence.





Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Thirty-Fourth Judicial Circuit

### City of Howardville Municipal Division



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May 2012

Report No. 2012-36

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<http://auditor.mo.gov>

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# Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge  
Thirty-Fourth Judicial Circuit  
and  
Municipal Judge  
Howardville, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-39, *Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division*, issued in August 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the division about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the division, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by the division and held discussions with division officials. Documentation included financial reports, various accounting records, and bank statements. This report is a summary of the results of this follow-up work, which was substantially completed during April 2012.

Thomas A. Schweich  
State Auditor

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# Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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**1.1 Segregation of Duties** Accounting duties were not segregated. The Court Clerk performed all accounting duties, including receiving, recording, depositing, disbursing, and reconciling court receipts. Neither the Municipal Judge nor other city personnel provided adequate supervision or reviewed the work performed by the Court Clerk.

**Recommendation** The City of Howardville Municipal Division ensure there are documented periodic reviews of municipal division records by the Municipal Judge or city personnel independent of the accounting functions.

**Status** **Implemented**

The City Clerk reviews and signs various accounting records, including the deposits and bank reconciliations.

**1.2 Receipt Procedures** Receipts were not recorded on a cash control ledger, and receipt slips were not always issued in numerical sequence. As a result, the municipal division did not account for the numerical sequence of receipt slips.

The method of payment (i.e., cash, check, or money order) and case number or ticket number were not always recorded on the receipt slips issued.

Procedures to void receipt slips needed improvement. In one instance, four receipt slips were issued to the same defendant within 3 days for the same amount for the same court case. While the defendant confirmed to us that he only paid the court once, only two of the receipt slips were physically voided. Additionally, the original copies of some voided receipt slips were not retained.

**Recommendation** The City of Howardville Municipal Division issue official pre-numbered receipt slips for all monies received in numerical sequence, and ensure the method of payment is accurately recorded on each receipt slip. The municipal division should maintain a cash control ledger and periodically account for the numerical sequence of receipt slips issued. Also, the original copies of voided receipts should be properly defaced and retained.

**Status** **Implemented**

Receipt slips are issued in numerical sequence and recorded in numerical sequence on a monthly report of receipts. The method of payment is recorded on each receipt slip and reconciled to bank deposits. Original copies of voided receipt slips are defaced and retained.

**1.3 Deposit Procedures** Receipts totaling \$267.50 could not be traced to deposits. In addition, receipts were not deposited timely or intact, the composition of receipts was not reconciled to the composition of bank deposits, and checks and money orders were not restrictively endorsed until the deposit was prepared.



Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**Recommendation**

The City of Howardville Municipal Division deposit all monies received intact in a timely manner and ensure all checks and money orders are restrictively endorsed immediately upon receipt. The composition of receipt slips should be reconciled to the composition of deposits. In addition, the municipal division should investigate the receipts not deposited in October 2009 and March 2010 and take appropriate action.

**Status**

**Partially implemented**

Deposits are made about twice a week or more frequently if significant monies are received. Checks and money orders are restrictively endorsed immediately upon receipt. The composition of receipt slips is reconciled to the composition of deposits. The division has made no additional investigation of the receipts not deposited in October 2009 and March 2010.

**1.7 Fines and Court Costs**

The municipal division did not regularly disburse fines and court costs deposited in the court bank account. As of February 28, 2011, approximately \$18,700 remained in the court bank account, the majority of which represented fines and court costs not remitted to the city. Since the current municipal division bank account was opened in October 2009, only two disbursements to the city totaling \$11,022 were made.

**Recommendation**

The City of Howardville Municipal Division disburse all fines and court costs due to the city monthly in accordance with state law.

**Status**

**Partially implemented**

The division made two large distributions to the city and has been distributing fines and court costs monthly to the city; however, approximately \$6,000 remained in the court bank account at February 29, 2012. The Court Clerk indicated she would follow up on the balance in the bank account and disburse all remaining monies to the city.

**1.8 Bank Reconciliations**

The municipal division did not prepare bank reconciliations for the division bank account or maintain a balance in the check register. In addition, month-end liabilities were not identified or reconciled to the division bank account balance.

**Recommendation**

The City of Howardville Municipal Division maintain a current balance in the check register and prepare monthly bank reconciliations. In addition, month-end liabilities should be identified and reconciled to the bank account balance. Any differences should be investigated.

**Status**

**Partially implemented**

A balance is maintained in the check book register and monthly bank statements are reviewed to ensure all deposits and checks have cleared the



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Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division  
Follow-up Report on Prior Audit Findings  
Status of Findings

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bank (deposits in transit and outstanding checks rarely occur). However, the check book register balance is not accurate and could not be reconciled to the bank balance. The Court Clerk indicated cash bonds have not been held beyond the monthly court dates so lists of liabilities have not been prepared.

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3. Ticket Accountability

The police department and municipal division did not adequately account for the numerical sequence of traffic tickets issued. The municipal division maintained a log of traffic ticket books assigned to officers; however, a log or list of all tickets issued or voided by the police department was not maintained. City records indicate a total of 200 tickets were assigned to the police department during the year ended June 30, 2010, and our review noted 42 of these 200 tickets were not located by the municipal division or the Howardville Police Department.

Recommendation

The City of Howardville Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

Status

**Implemented**

Reports of all ticket numbers and their ultimate disposition are prepared by the Court Clerk and reviewed and approved by the city Police Chief.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## City of Howardville



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May 2012

Report No. 2012-35

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<http://auditor.mo.gov>

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# City of Howardville

## Follow-Up Report on Audit Findings

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## THOMAS A. SCHWEICH

### Missouri State Auditor

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Howardville, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-90, *City of Howardville*, issued in October 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the city, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by the city and held discussions with city officials. Documentation included financial reports, various accounting records, bank statements, invoices, written contracts, and meeting minutes. This report is a summary of the results of this follow-up work, which was substantially completed during April 2012.

Thomas A. Schweich  
State Auditor

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# City of Howardville

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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- |                              |  |
|------------------------------|--|
| 1. Building Lease            | <p>Significant concerns were noted regarding the lease of the Public Safety and Service Building, which houses all city offices. The building was constructed in 2005 and is owned by the Howardville Development Corporation (HDC), a nonprofit corporation formed primarily for the purpose of improving conditions of public facilities of Howardville. The HDC secured financing for the building, consisting of \$172,000 in grants and \$51,600 in loans from the United States Department of Agriculture (USDA), Rural Development.</p> <p>In August 2005, the city entered into a 25-year lease agreement with the HDC. The lease agreement was structured to ensure lease payments were sufficient to repay amounts borrowed from the USDA and additional amounts to cover building operation and maintenance costs.</p>  |
| 1.1 Building Operating Costs | <p>Since 2006, the city had paid approximately \$10,000 to the HDC for building operation and maintenance, and there was no evidence any of these monies were used for the intended purpose. The lease agreement required the HDC to provide property insurance coverage on the building; however, the city provided all insurance coverage for the building. Additionally, the lease required the HDC to maintain the premises and provide utilities to the extent funds were available in the HDC Operations and Maintenance Account. According to city personnel, all utilities and building maintenance and repair costs had been paid by the city since April 2008.</p> <p>The city did not obtain financial information from the HDC, even though the lease agreement allowed for the city to request and receive HDC financial statements. City personnel indicated requests for such information were made but the requested information was not provided.</p> |
| 1.2 Building Ownership       | <p>The lease agreement did not provide for transfer of ownership of the building to the city upon payoff of the loan. The lease agreement required the city to pay all loan principal and interest; however, the building would remain the property of HDC.</p>  |
| 1.3 Nonappropriation Clause  | <p>The lease agreement did not contain a "walk away" or nonappropriation clause which would allow the city to cancel its lease with the HDC. As a result, the city may have incurred long-term debt without voter approval.</p>  |
| Recommendations              | <p>The Board of Aldermen:</p> <p>1.1 Request and obtain financial information from the HDC and ensure the HDC provides insurance on the building, pays building utility and maintenance costs, and sets aside the required loan reserve amounts as required by the lease agreement.</p>  |



City of Howardville  
Follow-up Report on Prior Audit Findings  
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- 1.2 Work with the HDC to amend the lease agreement to provide the city with ownership interest upon the payoff of the building loan.
- 1.3 Work with the HDC to amend the lease agreement to provide for a nonappropriation cancellation clause.

Status

**In Progress**

The city has established a separate nonprofit corporation which will be run by the Board of Aldermen. The city is in the process of transferring the loan and building ownership to this city-run nonprofit corporation. However, the city continues to pay insurance, utility, and maintenance costs, and city officials indicated recent requests to receive HDC financial information have not been successful.

2.1 Segregation of Duties

The Board of Aldermen had not established adequate segregation of duties or supervisory review over the accounting functions performed by the City Clerk. The City Clerk was responsible for most record keeping duties including duties which would normally be performed by a city treasurer.

Recommendation

The Board of Aldermen segregate the City Clerk's accounting duties and consider appointing a city treasurer. If proper segregation of duties cannot be achieved, timely independent reviews of the accounting records should be performed and documented.

Status

**Implemented**

The city has appointed the Court Clerk as the City Treasurer, and city officials indicated accounting duties have been segregated between the City Clerk and the City Treasurer.

2.2 Receipt and Deposit Procedures

Receipt slips were not issued timely for some monies received. In addition, receipts were not always deposited intact in a timely manner. Checks were not always restrictively endorsed immediately upon receipt.

Receipt slips were sometimes used as notations to support payments made to vendors. As a result, the city did not account for the numerical sequence of receipt slips. In addition, the original copy of voided receipt slips was not always retained.

While the method of payment received was generally documented on receipt slips, the composition (total cash and checks) recorded on receipt slips was not reconciled to the composition of bank deposits.

Recommendation

The Board of Aldermen ensure official pre-numbered receipt slips are issued timely for all monies received in numerical sequence, monies are



City of Howardville  
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deposited in a timely manner, checks and money orders are restrictively endorsed immediately upon receipt, and the composition of receipts is reconciled to the composition of bank deposits. Additionally, the city should retain the original copies of voided receipt slips.

Status

**Implemented**

Based on conversations with city officials and a scan of receipt slips and deposits for March 2012, it appears pre-numbered receipt slips are issued for all monies received and receipt slips are no longer used as notations to support vendor payments. Receipt slip numbers are recorded on applicable deposit slips and the method of payment is recorded on receipt slips. The original copies of voided receipt slips are properly defaced and retained. Deposits for March 2012 appeared timely.

2.4 Bank Reconciliations

Formal bank reconciliations were not performed for the city's four checking accounts. In addition, some receipts were not recorded in the check register and some disbursements were not recorded accurately in the check register. As a result, accurate cash balances were not maintained by the city.

Recommendation

The Board of Aldermen maintain accurate cash balances in the check registers or on a cash control ledger, and ensure monthly bank reconciliations are prepared for all city accounts.

Status

**Implemented**

The city maintains balances for all checking accounts and prepares monthly bank reconciliations.

3.1 Accounting Records

Some accounting records maintained by the city accountant were not accurate. In addition, the accounting records were not reviewed by the Board of Aldermen or other city employees for errors or omissions. Our review noted numerous and significant errors on the December 31, 2010, balance sheet prepared by the accountant.

Recommendation

The Board of Aldermen adopt procedures to review and ensure the accuracy of the financial records prepared by the accountant.

Status

**In progress**

The city has not changed procedures regarding the preparation of the accounting records by the accountant, and the Board of Aldermen does not review the records prepared by the accountant; however, a City Treasurer has been appointed, and the City Clerk and City Treasurer are training to prepare and maintain all city accounting records.



City of Howardville  
Follow-up Report on Prior Audit Findings  
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## 5.1 Bidding

Although the city had a procurement policy which required city officials to solicit bids for all items or services when possible and advertise for bids for items or services costing more than \$5,000, the city did not solicit bids, advertise for bids, retain sufficient bid documentation, or document sole source procurement for most purchases.

### Recommendation

The Board of Aldermen ensure bids are solicited for all applicable purchases in accordance with city ordinances and sufficient documentation is maintained.

### Status

#### **In progress**

City officials indicated no purchases over \$5,000 have been made since the audit but they intend to follow city bidding procedures for future purchases. Our scan of city records subsequent to the audit noted no purchases over \$5,000.

## 5.4 Disbursement Approval Process and Missing Invoices

Monthly disbursement lists were not always prepared and were not retained with meeting minutes or compared to supporting invoices. City procedures required the City Clerk to prepare a list of disbursements and present the list and supporting invoices at the monthly meetings for board approval. Lists for several months during 2010 could not be located. While meeting minutes included a statement that disbursements were approved, disbursement lists were not included with meeting minutes to document specific disbursements approved by the Board of Aldermen.

For 32 of 53 disbursements reviewed (60 percent) during the audit, the city was unable to locate invoices or other supporting documentation. These 32 disbursements were for various supplies and services totaling approximately \$17,500.

### Recommendation

The Board of Aldermen ensure complete disbursement lists are prepared, approved, and retained with meeting minutes. The lists should be compared to invoices to ensure supporting documentation is obtained and retained for all disbursements.

### Status

#### **Implemented**

Disbursement lists are prepared and filed with the monthly meeting minutes. Invoices are filed monthly to correspond with the disbursement lists, and board members initial the invoices to denote their approval.

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## 6. Sewer and Sanitation Services

Significant weaknesses existed in the controls and procedures related to sewer and sanitation services. The city had an arrangement with the local public water supply district to bill and collect city sewer fees for all



City of Howardville  
Follow-up Report on Prior Audit Findings  
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properties connected to the city sewer system, and sanitation fees for all properties located within the city.

## 6.1 Written Contract

The city did not have a written contract with the public water supply district for the collection of sewer and sanitation fees. As a result, there appeared to be a lack of understanding of the duties of each party.

## Recommendation

The Board of Aldermen enter into a written agreement with the public water supply district for the collection of sewer and sanitation fees which defines the responsibilities of each party and the compensation to be paid for services provided.

## Status

### **In progress**

A written contract with the public water supply district has been drafted but has not been approved or signed.

## 6.2 Fee Collections

The city did not maintain separate accounting records for each individual sewer and sanitation customer, making it difficult to track payments received from each customer or to determine customers who were delinquent. In addition, the city did not have policies or procedures requiring customers to establish sewer or sanitation accounts with the city. Services were automatically added to properties when the public water supply district connected water service to properties in the city limits.

The only record maintained by the city was the monthly collection list provided by the district which listed each individual who made a sewer or sanitation payment. However, it appeared the city did not review these lists for mathematical accuracy or duplicate payments, and our review noted various errors on these lists.

## Recommendation

The Board of Aldermen maintain accounting records for each sewer and sanitation customer listing all amounts billed and collected. In addition, the city should develop procedures to ensure sewer and sanitation accounts are established for all customers, applicable fees are billed monthly, collections are accounted for properly, and account balances are monitored.

## Status

### **In progress**

The city has established separate accounts for each customer. City officials indicated each individual customer account is monitored to the extent possible, and the city is working with the public water supply district to ensure all collections are accurately reported to the city and all customer accounts have been properly established.



City of Howardville  
Follow-up Report on Prior Audit Findings  
Status of Findings

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**6.3 Delinquent Billing and  
Shutoff Procedures**

The city did not have procedures to bill delinquent accounts, assess delinquent penalties, or shutoff or discontinue service for nonpayment of sewer and sanitation fees. Public water supply district officials indicated water service was shutoff for nonpayment of district water fees; however, neither the city nor the district billed or pursued collection of delinquent city sewer fees nor initiated sewer shutoff procedures. In addition, neither the city nor the district billed delinquent sanitation fees or initiated procedures to discontinue trash pickup for nonpayment of fees.

**Recommendation**

The Board of Aldermen ensure delinquent sewer and sanitation fees are properly billed and monitored. In addition, the board should consider adopting policies to assess penalties and service discontinuation for customers with delinquent accounts.

**Status**

**In progress**

The city established separate accounts for each customer and is monitoring individual balances. Formal policies for delinquent penalties and service discontinuation have been discussed and the city plans to adopt an ordinance regarding these matters.

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**7.1 Tracking and Recording  
Restricted Monies**

The city did not properly track and record various restricted monies. For the year ended June 30, 2011, the city received approximately \$13,000 in state motor vehicle-related monies and \$600 in Law Enforcement Training monies. Additionally, approximately \$14,250 in disaster assistance monies from SEMA were distributed to the city in 2009. While these monies were restricted for specific purposes, they were deposited into the General Fund and the related disbursements or balances were not tracked separately. As a result, the city could not determine at a point in time what portion of the General Fund represents restricted street, training, or grant monies.

**Recommendation**

The Board of Aldermen determine the amount of restricted monies in the General Fund and establish separate funds or a separate accounting of these monies as required by state law and grant agreements.

**Status**

**Partially implemented**

The city has established separate receipt and disbursement categories for the restricted monies but has not attempted to identify the balances of restricted monies held in the General Fund.

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**8. Meeting Minutes and  
Ordinances**

Several concerns were noted with meeting minutes, Sunshine Law compliance, and city ordinances.

**8.1 Meeting Minutes**

Minutes were not maintained in an orderly manner or in a centralized location. Some minutes were maintained in a handwritten journal, some



City of Howardville  
Follow-up Report on Prior Audit Findings  
Status of Findings

minutes were maintained electronically, and some minutes were located on loose paper in a file cabinet. In addition, minutes were not signed by any city official. As a result, personnel had difficulty locating some minutes, and it was unclear whether some minutes were officially approved by the board.

Open meeting minutes did not document reasons for closing the meeting or the specific section of law that allowed for closed meetings. Minutes were not maintained for some closed meetings, and in one instance closed session discussions were documented as part of the open meeting minutes. There was no evidence votes were taken during open meetings to close certain meetings, nor was there evidence of votes taken for other various motions passed in open meetings.

## Recommendation

The Board of Aldermen ensure meeting minutes are prepared, signed, and maintained in an orderly manner for all open and closed meetings, and the minutes include records of all votes taken. In addition, reasons for going into closed meetings should be documented in the open minutes.

## Status

### Implemented

Meeting minutes are typed and filed in a central location and signed by the preparer. While no closed meetings were held subsequent to our audit, city officials indicated this issue has been discussed with the City Attorney and they plan to follow applicable laws pertaining to closed meetings.

## 8.2 Ordinances

Ordinances were not complete, up-to-date, and maintained in an organized manner. While ordinances appeared to have been codified in the mid-1970s, the ordinances were maintained in a file folder and there was no official ordinance book. An index of all ordinances passed and rescinded by the city was not maintained, and some sections of the code could not be found.

## Recommendation

The Board of Aldermen update ordinances, ensure a complete set of ordinances is maintained, and prepare an index of all city ordinances passed and rescinded.

## Status

### In progress

The city has prepared an official book of all known ordinances and an index of recently passed and rescinded ordinances. City officials indicated they are working with the City Attorney to codify and officially adopt a complete set of ordinances.

## 8.3 Officials' Compensation

The city had not adopted ordinances to establish the compensation paid to city officials and employees, as required by state law. While the city adopted general ordinances for elected and appointed officials that state the





City of Howardville  
Follow-up Report on Prior Audit Findings  
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"Board of Aldermen shall fix compensation by ordinance," the ordinances did not address the specific compensation to be paid

Recommendation

The Board of Aldermen establish the compensation of all city officials and employees by ordinance in accordance with state law.

Status

**In progress**

City officials indicated this matter has been discussed with the City Attorney and they are working on ordinances to establish the compensation of all elected and appointed officials.



Thomas A. Schweich  
Missouri State Auditor

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# Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System



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May 2012

Report No. 2012-34

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[auditor.mo.gov](http://auditor.mo.gov)



# CITIZENS SUMMARY

## Findings in the review of Federal Forfeiture Audits of Law Enforcement Agencies

Background	<p>Section 513.653.1, RSMo, requires law enforcement agencies involved in using the federal forfeiture system under federal law to acquire an independent audit of the federal seizures and the proceeds received therefrom and provide this audit to their respective governing bodies, the Missouri Department of Public Safety and the State Auditor's office. State law forbids the Missouri Department of Public Safety from issuing funds to any law enforcement agency that fails to abide by these requirements, and it is a Class A misdemeanor for a law enforcement agency to intentionally or knowingly fail to comply with the statutory requirements.</p>
Reporting	<p>For the year ended 2010, the Department of Public Safety reported 696 law enforcement agencies. Of these, 43 filed the required 2010 audit report with the State Auditor's office, and another 425 indicated they did not participate in the program, so no audit was required. An additional 17 reports were filed for other years. A total of 47 participating agencies failed to file a report, and the remaining 164 agencies did not respond to our inquiries and neither filed an audit report nor stated they did not participate in the program.</p> <p>State law does not specify the manner in which federal forfeiture monies should be reported and does not specify at what point in time an audit is required. The law does not provide if the audit should be performed when property is seized, when proceeds are received, or when proceeds have been expended, or if an audit should be conducted every year in which there is a balance remaining of federal forfeiture monies. Finally, Section 513.653.1, RSMo, allows the cost of the audit of federal forfeiture seizures to be paid out of the proceeds, but it is not clear whether federal law allows for this.</p>

Because of the compound nature of this report, no overall rating is provided.

American Recovery and  
Reinvestment Act  
(Federal Stimulus)

Not applicable.

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# Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System Table of Contents

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly  
Jefferson City, Missouri

The purpose of this review was to determine if law enforcement agencies properly filed reports with the State Auditor's office for the year ended in 2010 in compliance with Section 513.653.1, RSMo. This law requires law enforcement agencies involved in using the federal forfeiture system under federal law to acquire an independent audit of the federal seizures and the proceeds received therefrom and provide this audit to their respective governing body, the Missouri Department of Public Safety, and the State Auditor's office.

The Department of Public Safety reported 696 law enforcement agencies for 2010 in the State of Missouri. As of March 19, 2012, 43 audit reports were filed with the State Auditor's office for the year ended 2010. An additional 10 reports were received for the year ended 2009 and 7 reports were received for the year ended 2011. A total of 47 participating agencies failed to file a report. In addition, 425 law enforcement agencies indicated they did not participate in this program. The remaining 164 agencies did not respond to our inquiries as to whether they participate in the program and did not file a report.

In addition, the following concerns were noted:

1. State law does not specify how federal forfeiture monies should be reported. The majority of the reports submitted were of the financial statements of the respective governmental agency (city or county), not just the forfeiture monies. There was inconsistency in the reporting of federal forfeiture monies. Report presentation included identifying the federal forfeiture monies on the Schedule of Expenditures of Federal Awards, as a line item in budget to actual presentations, or in notes to the financial statements.
2. State law does not specify when an audit is required. The law does not provide if the audit should be performed when an agency seizes the property, when an agency has received proceeds from the federal government, or when the proceeds have been expended. It is also not clear if an audit is required every year there is a balance remaining of federal forfeiture monies. Federal audit requirements state that audits are required when total federal expenditures of an entity are at least \$500,000.

3. Section 513.653.1, RSMo, allows the cost of the audit of federal forfeiture seizures to be paid out of the proceeds of such federal forfeitures. However, it is not clear this is an allowable expenditure of these monies under federal law.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
In-Charge Auditor:	Becky Webb, CPA
Audit Staff:	Dana Wansing, MPA

# ***Missouri Revised Statutes***

## **Chapter 513**

### **Executions and Exemptions**

#### **Section 513.653**

#### **Peace officers using federal forfeiture system, audit of federal seizure proceeds--copies provided to whom--violation, penalty.**

513.653. 1. Law enforcement agencies involved in using the federal forfeiture system under federal law shall be required at the end of their respective fiscal year to acquire an independent audit of the federal seizures and the proceeds received therefrom and provide this audit to their respective governing body and to the department of public safety. A copy of such audit shall be provided to the state auditor's office. This audit shall be paid for out of the proceeds of such federal forfeitures. The department of public safety shall not issue funds to any law enforcement agency that fails to comply with the provisions of this section.

2. Intentional or knowing failure to comply with the audit requirement contained in this section shall be a class A misdemeanor, punishable by a fine of up to one thousand dollars.

(L. 1993 H.B. 562 § 7, A.L. 2001 S.B. 5 & 21, A.L. 2003 S.B. 5)

Effective 6-27-03

## Appendix B

### Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

#### Law Enforcement Agencies Participating in the Federal Forfeiture System That Submitted a 2010 Audit Report

Name of Law Enforcement Agency	Name of Law Enforcement Agency
Arnold Police Dept.	Missouri State Water Patrol
Audrain County Sheriff's Office	New Madrid County Sheriff's Office
Belton Police Dept.	Newton County Sheriff's Office*
Blue Springs Police Dept.	Nixa Police Dept.
Brentwood Police Dept.	Normandy Police Dept.
Brookfield Police Dept.*	North Missouri (NOMO) Drug Task Force**
Cape Girardeau Police Dept.	Northwoods Police Dept.
Chesterfield Police Dept.*	Oregon County Sheriff's Office*
Columbia Police Dept.	Ozark Police Dept.
COMET (Combined Ozarks Multi-Jurisdictional Enforcement Team)	Pemiscot County Sheriff's Office
Crystal City Police Dept.	Pine Lawn Police Dept.**
Eureka Police Dept.	Pulaski County Sheriff's Office**
Excelsior Springs Police Dept.	Richmond Heights Police Dept.
Franklin County Sheriff's Office*	Riverview Police Dept.
Fredericktown Police Dept.	Shrewsbury Police Dept.
Glendale Police Dept.	Sikeston Police Dept.
Hannibal Police Dept.	South Central Drug Task Force*
Hazelwood Police Dept.**	Southeast Missouri (SEMO) Drug Task Force**
Independence Police Dept.	Springfield Police Dept.
Jackson County Sheriff's Office	St. Charles County Regional Drug Task Force*
Jefferson County Sheriff's Office	St. Charles County Sheriff's Office*
Jennings Police Dept.**	St. Joseph Police Dept.
Kansas City Police Dept.	St. Louis City Police Dept.*
Lafayette County Sheriff's Office	St. Louis County Police Dept.*
Lee's Summit Police Dept.	St. Peters Police Dept.
Manchester Police Dept.	Sunset Hills Police Dept.
Marionville Police Dept.	Webster Groves Police Dept.
Maryland Heights Police Dept.	Wentzville Police Dept.
Miner Police Dept.	West Plains Police Dept.
Mineral Area Drug Task Force**	Woodson Terrace Police Dept.

\*2009 report received

\*\*2011 report received



## Appendix C

### Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

#### Law Enforcement Agencies Participating in the Federal Forfeiture System That Did Not Submit a 2010 Audit Report

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##### Name of Law Enforcement Agency

Ballwin Police Dept.  
Berkeley Police Dept.  
Boone County Sheriff's Office  
Boonville Police Dept.  
Bridgeton Police Dept.  
Buchanan County Drug Strike Force  
Cameron Police Dept.  
Caruthersville Police Dept.  
Cedar County Sheriff's Office  
Christian County Sheriff's Office  
Clayton Police Dept.  
Creve Coeur Police Dept.  
Dellwood Police Dept.  
East Prairie Police Dept.  
Festus Police Dept.  
Frontenac Police Dept.  
Fulton Police Dept.  
Gasconade County Sheriff's Office  
Grandview Police Dept.  
Grundy County Sheriff's Office  
Jackson County Multi-Jurisdictional Drug Task Force  
Jasper County Drug Task Force  
Jefferson City Police Dept.  
Kansas City International Airport Police Dept.

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##### Name of Law Enforcement Agency

Malden Police Dept.  
Maplewood Police Dept.  
Maries County Sheriff's Office  
Maryville Dept. of Public Safety  
Montgomery County Sheriff's Office  
Morehouse Police Dept.  
Northeast Missouri (NEMO) Narcotics Task Force  
Park Hills Police Dept.  
Peculiar Police Dept.  
Phelps County Sheriff's Office  
Platte County Sheriff's Office  
Poplar Bluff Police Dept.  
Rolla Police Dept.  
Sedalia Police Dept.  
St. Charles Police Dept.  
St. Clair County Sheriff's Office  
St. John Police Dept.  
St. Robert Police Dept.  
Ste. Genevieve County Sheriff's Office  
Taney County Sheriff's Office  
Trenton Police Dept.  
Vernon County Sheriff's Office  
Waynesville Police Dept.

## Appendix D

### Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

#### Law Enforcement Agencies For Which No Response Was Received

Name of Law Enforcement Agency	Name of Law Enforcement Agency	Name of Law Enforcement Agency
Advance Police Dept.	Clarence Police Dept.	Gasconade Police Dept.
Alton Police Dept.	Clarksdale Police Dept.	Golden City Police Dept.
Anderson Police Dept.	Clarkton Police Dept.	Goodman Police Dept.
Annapolis Police Dept.	Claycomo Police Dept.	Gordonville Police Dept.
Auxvasse Police Dept.	Cleveland Police Dept.	Green City Police Dept.
Barry County Sheriff's Office	Cole County Sheriff's Office	Green Ridge Police Dept.
Barton County Sheriff's Office	Cooper County Sheriff's Office	Greene County Sheriff's Office
Battlefield Police Dept.	Country Club Hills Police Dept.	Hale Police Dept.
Bell City Police Dept.	Crystal Lakes Police Dept.	Harrison County Sheriff's Office
Bella Villa Police Dept.	Daviess County Sheriff's Office	Hartville Police Dept.
Belle Police Dept.	Deepwater Police Dept.	Henrietta Police Dept.
Bellefontaine Neighbors Police Dept.	DeKalb County Sheriff's Office	Henry County Sheriff's Office
Bellflower Police Dept.	DeSoto Police Dept.	Hickory County Sheriff's Office
Berger Police Dept.	DeWitt Police Dept.	Higginsville Police Dept.
Bethany Police Dept.	East Central Drug Task Force	Holcomb Police Dept.
Bland Police Dept.	Easton Police Dept.	Hollister Police Dept.
Bolivar Police Dept.	Edgerton Police Dept.	Holts Summit Police Dept.
Boothel Drug Task Force	Edmundson Police Dept.	Howell County Sheriff's Office
Brunswick Police Dept.	Ellington Police Dept.	Iron Mountain Lake Police Dept.
Buchanan County Sheriff's Office	Elsberry Police Dept.	Jasco-Metropolitan Police Dept.
Bunceton Police Dept.	Eminence Police Dept.	Jasper Police Dept.
Butler Police Dept.	Eolia Police Department	Jefferson County Municipal Enforcement Group
Canalou Police Dept.	Everton Police Dept.	Johnson County Sheriff's Office
Canton Police Dept.	Fair Grove Police Dept.	Jonesburg Police Dept.
Cardwell Police Dept.	Ferrelview Police Dept.	Joplin Police Dept.
Cass County Sheriff's Office	Florissant Police Dept.	Kansas City Multi-Jurisdictional Drug Task Force
Catron Police Department	Franklin County Narcotics Enforcement Unit	Kennett Police Dept.
Charleston Police Dept.	Gallatin Police Dept.	Kimmswick Police Dept.

## Appendix D

### Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

#### Law Enforcement Agencies For Which No Response Was Received

Name of Law Enforcement Agency	Name of Law Enforcement Agency	Name of Law Enforcement Agency
Kingsville Police Dept.	New Madrid Police Dept.	St. Francois County Sheriff's Office
Lafayette County Narcotics Unit	Newburg Police Dept.	St. Louis County Multi-Jurisdictional Drug Task Force
Lake Area Narcotics Enforcement Group (LANEG)	Nodaway County Sheriff's Office	St. Louis Metro Multi-Jurisdictional Undercover Drug Program
Lake St Louis Police Dept.	North County Municipal Enforcement Group	Steele Police Dept.
Lanagan Police Dept.	NW MO State Univ Police Dept.	Stewartsville Police Dept.
Lancaster Police Dept.	Olympian Village Police Dept.	Stone County Sheriff's Office
Laurie Police Dept.	Oregon Police Dept.	Strafford Police Dept.
Leasburg Police Dept.	Overland Police Dept.	Taos Police Dept.
Leeton Police Dept.	Pagedale Police Dept.	Terre du Lac Police Dept.
Lewis County Sheriff's Office	Pettis County Sheriff's Office	Texas County Sheriff's Office
Lilbourn Police Dept.	Pineville Police Dept.	Truesdale Police Dept.
Linn Creek Police Dept.	Platte County Multi-Jurisdictional Enforcement Group	Union Pacific Railroad
Lockwood Police Dept.	Polk County Sheriff's Office	Union Police Dept.
Lowry City Police Dept.	Portageville Police Dept.	Univ. of MO - Rolla Police Dept.
Madison County Sheriff's Office	Purcell Police Dept.	Univ. of MO - St. Louis Police Dept.
Marquand Police Dept.	Putnam County Sheriff's Office	Versailles Police Dept.
McDonald County Sheriff's Office	Puxico Police Dept.	Village of Butterfield Police Dept.
Miller Police Dept.	Queen City Police Dept.	Walker Police Dept.
Mississippi County Sheriff's Office	Rock Hill Police Dept.	Walnut Grove Police Dept.
MO HP Human Resources Division	Rosebud Police Dept.	Wardell Police Dept.
Morgan County Sheriff's Office	Savannah Police Dept.	Washington County Sheriff's Office
Morley Police Dept.	Scotland County Sheriff's Office	Waverly Police Dept.
Moscow Mills Police Dept.	Seneca Police Dept.	Wayne County Sheriff's Office
MUSTANG (Mid-MO Unified Strike Team & Narcotics Group)	Shannon County Sheriff's Office	Winona Police Dept.
Nevada Police Dept.	Southwest Missouri Drug Task Force	Wright County Sheriff's Office
New Cambria Police Dept.	St. Ann Police Dept.	Wyatt Police Dept.
New Franklin Police Dept.	St. Charles County Dept. of Corrections	

# Appendix E

## Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

### Law Enforcement Agencies Not Participating in the Federal Forfeiture System in 2010

Name of Law Enforcement Agency	Name of Law Enforcement Agency	Name of Law Enforcement Agency
Adair County Sheriff's Office	Branson West Police Dept.	Clay County Drug Task Force
Adrian Police Dept.	Braymer Police Dept.	Clay County Parks Dept.
Alma Police Dept.	Breckenridge Hills Police Dept.	Clay County Sheriff's Office
Andrew County Sheriff's Office	Browning Police Dept.	Clever Police Dept.
Appleton City Police Dept.	Bucklin Police Dept.	Clinton County Sheriff's Office
Arbyrd Police Dept.	Buckner Police Dept.	Clinton Police Dept.
Arcadia Police Dept.	Buffalo Police Dept.	Cole Camp Police Dept.
Archie Police Dept.	Butler County Sheriff's Office	Community Narcotics Enforcement Team (CNET)
Ash Grove Police Dept.	Byrnes Mill Police Dept.	Concordia Police Dept.
Ashland Police Dept.	Cabool Police Dept.	Conway Police Dept.
Atchison County Sheriff's Office	Caldwell County Sheriff's Office	Cool Valley Police Dept.
Aurora Police Dept.	California Police Dept.	Cooter Police Dept.
Ava Police Dept.	Callao Police Dept.	Corder Police Dept.
Bates City Police Dept.	Callaway County Sheriff's Office	Cottleville Police Dept.
Bates County Sheriff's Office	Calverton Park Police Dept.	Country Club Village Police Dept.
Bel-Nor Police Dept.	Camden County Sheriff's Office	Crane Police Dept.
Bel-Ridge Police Dept.	Camden Point Police Dept.	Crawford County Sheriff's Office
Benton County Sheriff's Office	Camdenton Police Dept.	Creighton Police Dept.
Benton Police Dept.	Campbell Police Dept.	Crestwood Police Dept.
Bernie Police Dept.	Cape Girardeau Co. Sheriff's Office	Crocker Police Dept.
Bertrand Police Dept.	Carroll County Sheriff's Office	Cuba Police Dept.
Beverly Hills Police Dept.	Carrollton Police Dept.	Curryville Police Dept.
Bevier Police Dept.	Carter County Sheriff's Office	Dade County Sheriff's Office
Billings Police Dept.	Carterville Police Dept.	Dallas County Sheriff's Office
Birch Tree Police Dept.	Carthage Police Dept.	Delta Police Dept.
Birmingham Police Dept.	Cassville Police Dept.	Dent County Sheriff's Office
Bismarck Police Dept.	Center Police Dept.	Des Peres Police Dept.
Blackburn Police Dept.	Centerview Police Dept.	Desloge Police Dept.
Blackjack City Police Dept.	Centralia Police Dept.	Dexter Police Dept.
Bloomfield Police Dept.	Chaffee Police Dept.	Diamond Police Dept.
BNSF Railway Police	Chariton County Sheriff's Office	Dixon Police Dept.
Bollinger County Sheriff's Office	Charlack Police Dept.	Doniphan Police Dept.
Bonne Terre Police Dept.	Chilhowee Police Dept.	Doolittle Police Dept.
Bourbon Police Dept.	Chillicothe Police Dept.	Douglas County Sheriff's Office
Bowling Green Police Dept.	Clark County Sheriff's Office	DPS St. Charles Co. Community College
Branson Police Dept.	Clarksburg Police Dept.	Drexel Police Dept.

# Appendix E

## Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

### Law Enforcement Agencies Not Participating in the Federal Forfeiture System in 2010

Name of Law Enforcement Agency	Name of Law Enforcement Agency	Name of Law Enforcement Agency
Duenweg Police Dept.	Greenville Police Dept.	Keytesville Police Dept.
Dunklin County Sheriff's Office	Greenwood Police Dept.	Kimberling City Police Dept.
Duquesne Police Dept.	Hallsville Police Dept.	King City Police Dept.
East Lynne Police Dept.	Hamilton Police Dept.	Kinloch Police Dept.
Edina Police Dept.	Hardin Police Dept.	Kirksville Police Dept.
El Dorado Springs Police Dept.	Harrisonville Police Dept.	Knob Noster Police Dept.
Eldon Police Dept.	Hawk Point Police Dept.	Knox County Sheriff's Office
Ellisville Police Dept.	Hayti Police Dept.	Laclede County Sheriff's Office
Ellsinore Police Dept.	Herculaneum Police Dept.	Ladue Police Dept.
Emma Police Dept.	Hermann Police Dept.	LaGrange Police Dept.
Exeter Police Dept.	Higbee Police Dept.	Lake Lafayette Police Dept.
Fair Play Police Dept.	High Hill Police Dept.	Lake Lotawana Police Dept.
Farber Police Dept.	Highlandville Police Dept.	Lake Ozark Police Dept.
Farmington Police Dept.	Hillsboro Police Dept.	Lake Tapawingo Police Dept.
Fayette Police Dept.	Hillsdale Police Dept.	Lake Waukomis Police Dept.
Ferguson Police Dept.	Holden Police Dept.	Lake Winnebago Police Dept.
Florissant Valley College Police Dept.	Holland Police Dept.	Lakeshire Police Dept.
Foley Police Dept.	Holt County Sheriff's Office	Lamar Police Dept.
Fordland Police Dept.	Holt Police Dept.	LaMonte Police Dept.
Foristell Police Dept.	Hornersville Police Dept.	LaPlata Police Dept.
Forsyth Police Dept.	Houston Police Dept.	Lathrop Police Dept.
Frankford Police Dept.	Howard County Sheriff's Office	Lawrence County Sheriff's Office
Freeman Police Dept.	Humansville Police Dept.	Lawson Police Dept.
Galena Police Dept.	Huntsville Police Dept.	Leadington Police Dept.
Garden City Police Dept.	Hurley Police Dept.	Leadwood Police Dept.
Gentry County Sheriff's Office	Iberia Police Dept.	Lebanon Police Dept.
Gerald Police Dept.	Indian Point Police Dept.	Lexington Police Dept.
Gideon Police Dept.	Iron County Sheriff's Office	Liberal Police Dept.
Gilman City Police Dept.	Ironton Police Dept.	Liberty Police Dept.
Gladstone Dept. of Public Safety	Jackson County Parks & Rec	Licking Police Dept.
Glasgow Police Dept.	Jackson Police Dept.	Lincoln County Sheriff's Office
Gower Police Dept.	Jamestown Police Dept.	Lincoln Police Dept.
Grain Valley Police Dept.	Kahoka Police Dept.	Lincoln University DPS
Granby Police Dept.	Kansas City Southern Railroad	Linn County Sheriff's Office
Grandin Police Dept.	Kearney Police Dept.	Linn Police Dept.
Greenfield Police Dept.	Kelso Police Dept.	Livingston County Sheriff's Office

# Appendix E

## Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

### Law Enforcement Agencies Not Participating in the Federal Forfeiture System in 2010

Name of Law Enforcement Agency	Name of Law Enforcement Agency	Name of Law Enforcement Agency
Lone Jack Police Dept.	Moline Acres Police Dept.	Osage Beach Police Dept.
Louisiana Police Dept.	Monett Police Dept.	Osage County Sheriff's Office
Macon County Sheriff's Office	Moniteau County Sheriff's Office	Osceola Police Dept.
Macon Police Dept.	Monroe City Police Dept.	Otterville Police Dept.
Mansfield Police Dept.	Monroe County Sheriff's Office	Owensville Police Dept.
Marble Hill Police Dept.	Montgomery City Police Dept.	Ozark County Sheriff's Office
Marceline Police Dept.	Montrose Police Dept.	Pacific Police Dept.
Marion County Sheriff's Office	Mosby Police Dept.	Palmyra Police Dept.
Marshall Police Dept.	Mound City Police Dept.	Parkville Police Dept.
Marshfield Police Dept.	Mount Vernon Police Dept.	Parma Police Dept.
Marston Police Dept.	Mountain Grove Police Dept.	Perry County Sheriff's Office
Marthasville Police Dept.	Mountain View Police Dept.	Perry Police Dept.
Martinsburg Police Dept.	Napoleon Police Dept.	Perryville Police Dept.
Matthews Police Dept.	Naylor Police Dept.	Pevely Police Dept.
Maysville Police Dept.	Neosho Police Dept.	Piedmont Police Dept.
Memphis Police Dept.	New Bloomfield Police Dept.	Pierce City Police Dept.
Meramec College Police Dept.	New Florence Police Dept.	Pike County Sheriff's Office
Mercer County Sheriff's Office	New Haven Police Dept.	Pilot Grove Police Dept.
Merriam Woods Police Dept.	New London Police Dept.	Pilot Knob Police Dept.
Metropolitan Community College	New Melle Police Dept.	Pine Lawn Police Dept.
Mexico Police Dept.	Niangua Police Dept.	Platte City Police Dept.
Mid-Missouri Multi-Jurisdictional Drug Task Force	NITRO Task Force	Platte Woods Police Dept.
Milan Police Dept.	Noel Police Dept.	Plattsburg Police Dept.
Miller County Sheriff's Office	Norborne Police Dept.	Pleasant Hill Police Dept.
Mineral Area College DPS	Norfolk Southern Railroad Police Dept.	Pleasant Hope Police Dept.
Mississippi County Sheriff's Office	North Kansas City Police Dept.	Pleasant Valley Police Dept.
Missouri Capitol Police	Northmoor Police Dept.	Polo Police Dept.
Missouri Dept. of Conservation	Oak Grove Police Dept.	Potosi Police Dept.
Missouri Division of Fire Safety	Oakview Police Dept.	Prairie Home Police Dept.
Missouri Division of Liquor Control	Odessa Police Dept.	Pulaski County Sheriff's Office
Missouri Southern Dept. of Public Safety	Old Monroe Police Dept.	Purdy Police Dept.
Missouri Western Police Dept.	Olivette Police Dept.	Qulin Police Dept.
MO Dept. Natural Resources-Park Rangers	Oran Police Dept.	Ralls County Sheriff's Office
MO Social Services STAT Team	Oronogo Police Dept.	Randolph County Sheriff's Office
Moberly Police Dept.	Orrick Police Dept.	Randolph Police Dept.

# Appendix E

## Review of 2010 Audits of Law Enforcement Agencies Participating in the Federal Forfeiture System

### Law Enforcement Agencies Not Participating in the Federal Forfeiture System in 2010

Name of Law Enforcement Agency	Name of Law Enforcement Agency	Name of Law Enforcement Agency
Ray County Sheriff's Office	Southwest City Police Dept.	Univ. of MO - Columbia Police Dept.
Raymore Police Dept.	Sparta Police Dept.	Univ. of MO - K.C. Police Dept.
Raytown Police Dept.	Springfield-Branson National Airport Police Dept.	University City Police Dept.
Reeds Spring Police Dept.	St. Charles City Parks & Recreation	Urbana Police Dept.
Republic Police Dept.	St. Clair Police Dept.	Van Buren Police Dept.
Reynolds County Sheriff's Office	St. George Police Dept.	Vandalia Police Dept.
Rich Hill Police Dept.	St. James Police Dept.	Velda City Police Dept.
Richland Police Dept.	St. Louis County Sheriff's Office	Verona Police Dept.
Richmond Police Dept.	St. Mary Police Dept.	Viburnum Police Dept.
Ripley County Sheriff's Office	St. Peters Ranger Enforcement Div	Vienna Police Dept.
Risco Police Dept.	Ste. Genevieve Police Dept.	Village of Uplands Park Police Dept.
Riverside Police Dept.	Steelville Police Dept.	Vinita Park Police Dept.
Riverview Police Dept.	Stoddard County Sheriff's Office	Warren County Sheriff's Office
Rock Port Police Dept.	Stover Police Dept.	Warrensburg Police Dept.
Rockaway Beach Police Dept.	Strasburg Police Dept.	Warrenton Police Dept.
Rogersville Police Dept.	Sturgeon Police Dept.	Warsaw Police Dept.
Salem Police Dept.	Sugar Creek Police Dept.	Warson Woods Police Dept.
Saline County Sheriff's Office	Sullivan County Sheriff's Office	Washburn Police Dept.
Salisbury Police Dept.	Sullivan Police Dept.	Washington Police Dept.
Sarcoie Police Dept.	Summersville Police Dept.	Washington University Police Dept.
Schuyler County Sheriff's Office	Sunrise Beach Police Dept.	Weatherby Lake Police Dept.
Scott City Police Dept.	Sweet Springs Police Dept.	Webb City Police Dept.
Scott County Sheriff's Office	Tarkio Police Dept.	Webster County Sheriff's Office
Seligman Police Dept.	Terminal Railroad	Wellington Police Dept.
Senath Police Dept.	Thayer Police Dept.	Wellston Police Dept.
Seymour Police Dept.	Theodosia Police Dept.	Wellsville Police Dept.
Shelbina Police Dept.	Three Rivers Community College Police Dept.	Weston Police Dept.
Shelby County Sheriff's Office	Tipton Police Dept.	Wheaton Police Dept.
Sheldon Police Dept.	Town and Country Police Dept.	Willard Police Dept.
Shrewsbury Police Dept.	Tracy Police Dept.	Williamsville Police Dept.
Silex Police Dept.	Trimble Police Dept.	Willow Springs Police Dept.
Slater Police Dept.	Troy Police Dept.	Winfield Police Dept.
Smithton Police Dept.	Truman State University Dept. of Public Safety	Worth County Sheriff's Office
Smithville Police Dept.	UCM - Dept. of Public Safety	Wright City Police Dept.
Southeast Missouri State University - DPS	Unionville Police Dept.	



**Thomas A. Schweich**  
Missouri State Auditor

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# Summary of 2011 Follow-Up Reports



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April 2012  
Report No. 2012-33

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<http://auditor.mo.gov>



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# Summary of 2011 Follow-Up Reports

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

The Citizens of Missouri

This report was compiled from follow-up reports issued in 2011. The State Auditor's office conducted five follow-up reviews pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to identify audit report findings requiring immediate management attention, and any other findings for which follow-up is considered necessary, and to report whether the recommendations for those findings are being implemented. Auditors conduct a follow-up review of any audit receiving an overall "Poor" rating, any audit receiving a "Fair" rating with one or more significant or serious findings, and any other audits at the discretion of the State Auditor.

The follow-up reviews determined officials from these entities had implemented or were in the process of implementing the majority of the recommendations reviewed as part of the AFTER program work.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

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## Summary of 2011 Follow-Up Reports

### Status of Recommendations

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#### 1. City of Neosho

Report number 2011-121

The City of Neosho received a "Poor" overall audit rating. The follow-up work focused on 13 significant findings. As part of this work, auditors reviewed a report summarizing the status of the audit recommendations and supporting documentation submitted by the city. The city provided documentation, including the fiscal year 2012 budget, city council meeting minutes, contracts, new policies and procedures, various accounting records, and bank statements.

#### Status of Recommendations

Work performed determined all recommendations had either been implemented or were in the process of being implemented.

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#### 2. City of Pine Lawn

Report number 2011-89

The City of Pine Lawn received a "Poor" overall audit rating, due primarily to the financial condition of the city's Trash Fund and inadequate budget procedures. The follow-up work focused on nine significant findings. City officials provided various documents and other evidence supporting efforts made to correct the reported issues.

#### Status of Recommendations

Work performed determined all but one recommendation had either been implemented or was in the process of being implemented. The city disagreed with the recommendation regarding complying with Internal Revenue Service guidelines for reporting fringe benefits related to commuting in city-owned vehicles, and this recommendation will not be implemented.

---

#### 3. Village of Indian Point

Report number 2011-64

The Village of Indian Point received a "Poor" audit rating. The follow-up work focused on 19 significant findings, including issues with funding for the village's sewer project, financing for a municipal center, lack of accounting controls, and inadequate recordkeeping. Auditors discussed the status of these findings with village officials and reviewed supporting documentation, including copies of sewer construction invoices and contracts, financial statements and records for the village and the Board of Public Works, board meeting minutes, correspondence with the village attorney, and sewer customer payment reports.

#### Status of Recommendations

Work performed determined all recommendations had either been implemented or were in the process of being implemented.

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#### 4. City of University City

Report number 2011-46

The City of University City received a "Fair" audit rating; however, a follow-up review was necessary due to 10 significant findings, including a failure to collect on delinquent trash service accounts, improper allocation of expenditures, concerns with various accounting controls, and inadequate compliance with the Sunshine Law. The city provided copies of the request for proposals for trash services, financial reports concerning overdue balances, updated administrative policies and procedures, accounting and financial records, meeting minutes and notices, and public record request logs.



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Summary of 2011 Follow-Up Reports  
Status of Recommendations

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Status of Recommendations	Work performed determined all recommendations had either been implemented or were in the process of being implemented.
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5. Department of Mental Health, Office of Director  Report number 2011-38	Six significant findings in the audit of the Department of Mental Health, Office of Director required follow-up. Findings included excessive overtime pay, untimely investigation of complaints, and inadequate monitoring of a service contract. As part of the follow-up work, department officials provided a cost analysis related to the use of overtime, and data related to complaint investigations and preliminary reports. Two department divisions established policies to limit employee overtime hours.
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Status of Recommendations	Work performed determined one recommendation was in the process of being implemented and all other recommendations had been implemented.
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# Thomas A. Schweich

Missouri State Auditor

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## Holt County



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April 2012  
Report No. 2012-32

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# CITIZENS SUMMARY

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## Findings in the audit of Holt County

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### Sheriff Controls and Procedures

Because of the poor accounting records maintained in the Sheriff's department, we were unable to determine if all monies were accounted for properly. As noted in our prior report, accounting duties are not adequately segregated, and an adequate supervisory review is not performed. Likewise, the Sheriff's department does not maintain adequate records to account for all monies received for conceal and carry weapons permits and prior to July 2011, had not been turning these fees over to the county treasury as required by state law. The Sheriff was unable to account for at least \$700 which should have been collected but was not deposited. The Sheriff's department does not perform bank reconciliations, identify month-end liabilities, or account for the numerical sequence of all checks, despite similar findings in our prior report.

The Sheriff's department issues unnumbered receipt slips for inmate monies received, and there are no procedures to ensure all receipts are recorded in the accounting system, which increases the risk of loss, theft, or misuse of funds. The Sheriff's department also purchases prepaid phone cards for \$6.50 each and sells them to inmates for \$10 each, but, as of May 23, 2011, the Sheriff was unable to account for 171 cards, totaling \$1,710 in receipts. In addition to the commissions from phone cards sales, the Sheriff maintains commissions from commissary sales and commissions from the phone vendor in accounts outside the county treasury, which he uses to purchase items for the department. State law requires every county officials to pay such monies to the county treasurer.

Voided receipt slips and checks were not always maintained, making it more difficult to ensure all receipts and disbursements are accounted for properly. The county does not have written contracts in place providing for the exchange of prisoner housing services. State law requires all contracts entered into by the county be in writing.

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### Fuel

The Sheriff's department and the road and bridge department do not adequately record and monitor fuel purchases and use. The road and bridge department does not reconcile fuel logs to fuel purchase records, and 2,700 gallons of fuel purchases were not recorded in fuel logs in 2010. No log is maintained of fuel dispensed from mobile tanks. Some Sheriff's department usage/fuel logs were not complete, and 40 percent of fuel purchased on the February 2011 fuel statement was not supported by receipts or included on the fuel logs, but the Sheriff approved its payment.

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### Capital Assets

The County Clerk and other county officials have not implemented adequate procedures to ensure property records are complete, accurate, and sufficient to meet statutory requirements and to determine insurance needs. The County does not maintain overall property records, and only one county department performs and submits annual inventories.

Personnel Policy	The county personnel policy has not been formally updated and approved since November 2003, but some policy changes have been documented in County Commission minutes. In addition, we noted current policy does not allow sick leave to be paid upon termination, but one employee was paid \$375 for 19 hours of unused sick leave.
Senior Citizens Service Board	The Senior Citizens Service Board does not have written contracts with the 12 entities to which it provides funding and does not adequately monitor the monies provided. State law requires contracts of political subdivisions to be in writing, and written contracts help ensure all parties are aware of their duties and responsibilities and prevent misunderstanding. The Board should also obtain and review financial reports from its funding recipients showing how they used the funds received.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.<sup>\*</sup> However, the audit revealed serious shortcomings within the Sheriff's department.

American Recovery and Reinvestment Act (Federal Stimulus)	Holt County did not receive any federal stimulus monies during the audited time period.
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<sup>\*</sup>The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Holt County

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Holt County

We have audited certain operations of Holt County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, was engaged to audit the financial statements of Holt County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures.

The accompanying Management Advisory Report presents our findings arising from our audit of Holt County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized 'S' at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Karla Swift, MBA

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# Holt County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Sheriff Controls and Procedures**

Accounting procedures and practices in the Sheriff's department need improvement. Due to the poor accounting records maintained, we were unable to determine if all monies were accounted for properly.

The Sheriff maintains two checking accounts: a commissary account for inmate commissary funds, phone card sales, and phone commissions; and the Sheriff's fee agent account for monies collected for civil fees, bonds, and conceal and carry weapons (CCW) fees. During the 2 years ended December 31, 2010 and 2009, receipts for the commissary account totaled approximately \$14,000 and \$8,700, respectively, and receipts for the fee agent account totaled approximately \$48,000 and \$63,000, respectively.

##### **1.1 Segregation of duties**

Accounting duties are not adequately segregated, and an adequate supervisory review of the accounting records is not performed. One Sheriff's department employee is primarily responsible for performing the duties of receipting, recording, and disbursing monies for both accounts. The Sheriff does not oversee accounting duties, and while he signs off on bank statements, no bank reconciliation or comparison to accounting records is performed.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

A similar condition was reported in our prior audit report.

##### **1.2 Conceal and carry weapons fees**

The Sheriff's department does not maintain adequate records to account for all monies received for issuing CCW permits. Prior to July 2011, the fees collected were not remitted to the county treasury, but were instead deposited into the Sheriff's fee agent account. As of July 7, 2011, 83 permits and 34 renewals were issued since the current Sheriff took office in January 2009. The fees associated with those permits and renewals should total \$5,600; however, accounting records indicate only \$4,575 was deposited in the Sheriff's fee agent account. Subsequent to our audit period, in November 2011, Sheriff's department personnel located cash of \$324 which they believe represented CCW fees previously collected and not deposited. These monies were deposited and eventually turned over to the County Treasurer. It is unclear what happened to the remaining \$701. In addition, while receipt slips are issued for amounts collected, there is no reconciliation of amounts received to deposits.

In July 2011 the Sheriff's Revolving Fund was started, as required by state law. The County Treasurer indicates she is now receiving a monthly transmittal of the CCW permit fees.



## Holt County Management Advisory Report - State Auditor's Findings

Section 571.101 RSMo, requires the Sheriff charge a non refundable fee of up to \$100 for a permit for CCW and a fee up to \$50 for a renewal of that permit every 3 years, with that fee to be paid to the treasury of the county to the credit of the Sheriff's Revolving Fund. To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, the composition of receipt slips issued should be reconciled to deposits.

A similar condition was reported in our prior audit report.

### 1.3 Bank accounts

Bank reconciliations are not performed for either account maintained by the department. In addition, procedures do not exist to identify month-end liabilities or account for the numerical sequence of all checks. Prior to our request for documentation of bank reconciliations in June 2011, the last bank reconciliations performed on the Sheriff's fee agent and commissary accounts were in July and October 2010, respectively.

We determined the May 31, 2011, cash balance of the fee account was \$7,477. Liabilities identified for the fee account totaled \$5,904, leaving an unidentified difference of \$1,572. We determined the May 31, 2011, balance of the commissary account was \$7,180, while liabilities of \$23 were identified. The remaining balance of \$7,157 represents profits from the sale of phone cards, phone commissions, and the sale of commissary items to prisoners which have not been remitted to the county treasury (see section 1.6).

Without preparing monthly bank reconciliations and reconciling the cash balance to a list of liabilities, as well as accounting for the numerical sequence of checks issued, there is little assurance cash receipts and disbursements have been properly handled and recorded, or errors will be detected and corrected in a timely manner.

A similar condition was reported in our prior audit report.

### 1.4 Receipts

Receipting procedures need improvement. Unnumbered manual receipt slips are issued for inmate monies received. The receipt is then recorded in the commissary accounting system. However, there are no procedures in place to ensure all manual receipts are recorded and because the receipt slips are unnumbered, there is no way to account for all receipt slips issued. In addition, while prenumbered receipt slips are typically issued for CCW monies received, they are not issued in numerical order and their numerical sequence is not accounted for properly.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received, and procedures should be established to account for manual receipt slips and verify receipts have been recorded in the commissary accounting system on a timely basis and deposited.



## Holt County Management Advisory Report - State Auditor's Findings

### 1.5 Phone card sales

Records are not maintained to account for prepaid phone cards purchased and sold to inmates. Batches of phone cards are periodically purchased from a phone card vendor for \$6.50 per card and held by the Sheriff until sold to inmates for \$10 per card. From December 2008 to July 2011, 1,700 phone cards were purchased at a total cost of \$11,050; however, as of May 31, 2011, the Sheriff was unable to account for 171 cards, representing receipts of \$1,710.

Detailed records are necessary to adequately account for telephone cards. Loss, misuse, or theft of the phone cards and receipts may go undetected without adequate telephone card records and procedures.

### 1.6 Commissary account

The Sheriff maintains commissions from commissary sales, phone commissions, and sale of phone cards outside the county treasury and uses these monies to purchase items for the department. The department contracted with an outside company to provide commissary items to inmates and retains commissions of 25 percent of sales. The department also received commissions from phone card sales and the phone vendor. A commissary account was opened in June 2009. Phone card commissions totaling \$4,942, phone vendor commissions totaling \$3,146, and commissary commissions totaling \$1,121 were deposited to the commissary account between June 2009 and May 2011.

These monies were used to purchase items for the department costing \$2,514 through the end of May 2011, including inmate clothing, a stove, and a dishwasher. While not unreasonable or improper, these purchases were not approved by the County Commission and were not handled through the normal county procurement and budget process. As of May 31, 2011, there was approximately \$7,000 in the commissary account which should be distributed to the county treasury.

There is no statutory authority allowing the Sheriff to hold county monies outside the county treasury. Section 50.370, RSMo, requires every county official who receives any fees or other remuneration for official services to pay such monies to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

### 1.7 Voids

Voided receipt slips and checks were not always maintained. The receipt slip carbon copy indicating the receipt slip was voided was retained; however, the original was missing. In addition, voided checks were not maintained for either bank account. Over 9 percent of 250 checks issued from the commissary account were voided but not retained. Without properly voiding and retaining voided receipt slips and checks, there is less assurance all receipts and disbursements are accounted for properly.



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Holt County  
Management Advisory Report - State Auditor's Findings

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## 1.8 Prisoner contracts

The county houses prisoners for various political subdivisions, and boards some county prisoners with other political subdivisions, but does not have written contracts with these entities. The Sheriff indicated he has verbal agreements with several of the surrounding counties to house each other's prisoners for no charge.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

## Recommendations

The Sheriff:

- 1.1 Adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the accounting records are performed.
- 1.2 Develop procedures to ensure all CCW permit fees are deposited intact on a timely basis and reconcile the composition of monies received to the composition of deposits. In addition, the Sheriff should take necessary action regarding the unaccounted for differences identified and determine the appropriate course of action.
- 1.3 Ensure monthly bank reconciliations are prepared and a list of liabilities, including individual inmate balances, is reconciled to the cash balance on a monthly basis. In addition, the Sheriff should determine the proper disposition of the difference which exists in the fee account.
- 1.4 Issue prenumbered receipt slips for all monies received and account for the numerical sequence of all receipt slips issued.
- 1.5 Develop procedures to account for the sale of all phone cards purchased.
- 1.6 Disburse all phone card, commissary, and phone commissions to the County Treasurer monthly.
- 1.7 Maintain voided receipt slips and checks.
- 1.8 Enter into written contracts as required by state law.



Holt County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The Sheriff provided the following responses:*

- 1.1 I have segregated check signing duties from check preparation duties, and I will ensure myself or an independent person periodically reviews and signs off on the accounting records.*
- 1.2 I have changed procedures to account for the CCW fees deposited to the newly created Sheriff's Revolving fund and will start periodically reconciling deposits of CCW fees to receipts. Based on working with the auditors, we have identified the majority of the unaccounted for fees relate to permits issued in 2009. We have now developed better procedures to account for all CCW fees. We will continue to try to determine the cause of this difference.*
- 1.3 This recommendation has been implemented and the unidentified difference in the fee agent account has been identified and distributed.*
- 1.4&  
1.7 These recommendations have been implemented.*
- 1.5 I am now numbering phone cards at time of purchase and am accounting and tracking the sale of those phone cards.*
- 1.6 Given the recent letter from the Attorney General's office regarding this matter and discussion with the State Auditor's office, Sheriff's Association and legal counsel, I am attempting to determine where these funds should be placed.*
- 1.8 I will consider the auditor's recommendation and determine the best course of action for Holt County.*

## 2. Fuel

Records and monitoring of fuel purchases and use by the road and bridge and Sheriff's departments are not adequate. Accounting records indicate fuel purchases totaled approximately \$139,000 in 2010 and \$111,000 in 2009.

The majority of fuel purchased by the road and bridge department is for bulk tanks at the three county road and bridge barns. In addition, fuel was purchased at gas stations with fuel cards provided by the county. The Sheriff's department purchases fuel using fuel cards furnished by the county.

- While the road and bridge department maintains fuel logs for all vehicles and equipment and turns in monthly and annual reports to the County Commission, fuel logs are not reconciled to fuel purchase records. In 2010, 2,700 gallons of fuel purchases were not recorded on fuel logs.



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Holt County  
Management Advisory Report - State Auditor's Findings

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- No log is maintained of fuel dispensed from mobile tanks. In 2010, 2,500 gallons and in 2009, 4,370 gallons were pumped into the mobile tanks.
- While usage/fuel logs are maintained for all but one of the Sheriff's department vehicles, some logs were not complete.
- The Sheriff does not submit individual fuel receipts to the County Clerk, but does indicate his approval for payment on the monthly statement. We examined the fuel statement for the Sheriff's department for February 2011, and noted 40 percent of fuel purchased was not supported by receipts or included on the fuel logs; however, the Sheriff's approval was indicated on the statement.

Mileage and fuel logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include sufficient information to determine reasonableness of miles driven and allow reconciliations of fuel use to fuel purchases. Failure to document and monitor fuel use and require fuel tickets to be submitted, could result in loss, theft, or misuse going undetected.

## Recommendation

The County Commission and Sheriff require logs for all vehicles. These logs should be reviewed and reconciled to fuel purchases and any significant discrepancies investigated. In addition, fuel card receipts should be submitted to the County Clerk and reconciled to fuel card statements before payment.

## Auditee's Response

*The County Commission provided the following response:*

*We will review current procedures with the road and bridge supervisor to improve accountability over county fuel consumption. We will discuss the importance of submitting fuel tickets with the County Clerk and Sheriff.*

*The Sheriff provided the following response:*

*We will keep logs for all vehicles and will ensure a comparison of the fuel invoices to fuel usage recorded in the log is performed monthly and reviewed for reasonableness. I would like to look into developing a county wide procedure for fuel purchases, and I will work with the County Commission to develop these procedures.*

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## 3. Capital Assets

The County Clerk and other county officials have not implemented adequate procedures to ensure property records for all county departments are complete, accurate, and sufficient to meet statutory requirements, and to





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Holt County  
Management Advisory Report - State Auditor's Findings

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provide a basis for determining proper insurance coverage and accountability.

The County does not maintain overall county property records, and only one county department performs and submits an annual inventory list. The County Clerk annually sends each department a memo requesting inventory lists, and only the Health Department completed and submitted an annual inventory list during 2009 or 2010. Other officeholders provided varying explanations for not returning the inventory lists to the County Clerk as required by state law. In addition, each elected official is issued county tags and is responsible for attaching those tags to county property. There is no overall record of tags issued.

Adequate county property records and monitoring procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories and proper tagging of county property items are necessary to evaluate the accuracy of the records, and deter and detect theft. Section 49.093, RSMo, provides that the officer or designee of each county department is responsible for performing annual inspections and inventories of county property used by their department and for submitting an inventory report to the County Clerk.

A similar condition was noted in our prior report.

## Recommendation

The County Clerk work with other county office holders to ensure annual inventory reports of all capital assets in their departments are prepared and filed with the County Clerk as required by state law. In addition, the County Clerk should develop and maintain an overall capital asset record for all county assets.

## Auditee's Response

*The County Clerk provided the following written response:*

*I will continue to work with other county office holders to compile an annual inventory of each office and department and see that such report is filed in the County Clerk's office to meet statutory requirements. Though state law does not require the County Clerk to develop and manage capital asset records, I agree to work with the other county office holders in developing a unified system.*

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## 4. Personnel Policy

The county has made numerous changes and amendments to its personnel policy over the past several years, but the personnel manual has not been updated. In addition, some actions taken are not in compliance with current policy.



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Holt County  
Management Advisory Report - State Auditor's Findings

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The county personnel policy manual was formally updated and approved in November 2003. Since that time, some changes to policies have been documented in County Commission minutes, such as approval for a change in policy to allow employees to accrue vacation and sick leave. Current policy does not allow for the payment of sick leave upon termination, but we identified one employee that was paid \$375 for 19 hours of unused sick leave in April 2009.

An up to date and clear personnel policy manual and enforcement of policies is necessary to ensure compliance and equitable treatment of employees.

## Recommendation

The County Commission update the personnel policy manual and ensure compliance with all leave policies.

## Auditee's Response

*The County Commission provided the following response:*

*We will work with the County Clerk to update the personnel policy by the end of 2012.*

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## 5. Senior Citizens Service Board

The Senior Citizens Service Board does not have written contracts with the 12 entities it provides funding and does not adequately monitor the funding provided. The Board collected taxes and interest totaling approximately \$47,457 and \$43,360 during the years ended December 31, 2010 and 2009, respectively.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstanding. In addition, to ensure Board funds are used as intended, financial reports documenting how funds are spent should be obtained and reviewed by the Board.

## Recommendation

The Senior Citizens Service Board enter into written contracts for all funding requests that clearly detail services to be performed and the compensation to be paid or benefits received, and require these entities to provide financial reports documenting how funds are spent.

## Auditee's Response

*The Senior Citizens Service Board President provided the following response:*

*I will discuss this recommendation with the Board in our December 2012 Board meeting. Funding requests are now being received and paid to only the two county nutrition sites, so the number of funding requests will continue to be lower in the future. The Senior Citizens Service Board, after*



Holt County  
Management Advisory Report - State Auditor's Findings

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*discussion with the County Commission, is currently following the original intent for which this board was established, which is to provide meals to the senior citizens of Holt County.*

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# Holt County

## Organization and Statistical Information

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Holt County is a county-organized, third-class county. The county seat is Oregon, Missouri.

Holt County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 38 full-time employees and 4 part-time employees on December 31, 2010.

In addition, county operations include the Health Department, Senior Citizens' Services Board, drainage and levee districts established by the County Commission, neighborhood improvement districts, the Tax Increment Financing Commission, and the Johnson Grass Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
Mark Sitherwood, Presiding Commissioner	\$	25,760
Donald Holstine, Associate Commissioner		23,760
Bill Gordon, Associate Commissioner		23,760
Vicki Book, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Kathy J. Kunkel, County Clerk		36,000
Robert Sheppard, Prosecuting Attorney		40,000
Scott Wedlock, Sheriff		43,000
Gay Quick, County Treasurer (2)		36,614
Susan Lentz, County Coroner		10,000
Edward Meng, Public Administrator		20,000
Billy Sharp, County Collector (3), year ended February 28,	52,881	
Carla Markt, County Assessor , year ended August 31,		35,878

(1) Compensation is paid by the state.

(2) Includes \$614 of commissions earned as treasurer for the levee districts.

(3) Includes \$16,881 of commissions earned for collecting city, levee, drainage, and special road district property taxes.



Holt County  
Organization and Statistical Information

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Financing  
Arrangements

In April 2009, the county obtained a United States Department of Agriculture loan of \$131,276 at no interest for 10 years. As of March 1, 2012, the amount outstanding was \$73,928. The loan is scheduled to be paid in yearly installments of \$19,611 with four full payments due and a final payment in March 2017 of \$4,516.

American Recovery and  
Reinvestment Act of 2009  
(Federal Stimulus)

Holt County did not receive any federal stimulus monies during the 2 years ended December 31, 2010.



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## City of Pacific

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April 2012  
Report No. 2012-31



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<http://auditor.mo.gov>

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City of Pacific  
Follow-Up Report on Audit Findings  
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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Pacific, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-104, *City of Pacific*, issued in November 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the city, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As a part of the AFTER work conducted, we reviewed a report summarizing the status of our recommendations and reviewed supporting documentation provided by the city. This report is a summary of the results of this follow-up work, which was substantially completed during March 2012.

Thomas A. Schweich  
State Auditor



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# City of Pacific

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. Legal Services	Legal services were procured without a competitive process, and the city had not performed a cost analysis to determine if outsourcing legal services was cost beneficial.
1.1 Proposals for legal services	The city had not obtained proposals for legal services. As a result, the city could not ensure it had the best qualified individual at the lowest and best cost for the position. The city engaged the City Attorney and his law firm based on the type of specialized services needed. The City Attorney is considered a contracted position and paid at an hourly rate. The city had used the same individual as City Attorney since 2002, without periodically soliciting proposals for this position.
Recommendation	Periodically solicit proposals for legal services and maintain all related documentation, including reasons for the city's decisions.
Status	<b>Implemented</b>  The city submitted to us a list of nine law firms that submitted proposals for legal services. The city also submitted a 19 page proposal from one firm as representation of the proposals they received. The city decided to stay with its current law firm, Cunningham, Vogel & Rost. This firm's rate was the second lowest of the nine proposals received.
1.2 Cost analysis	The city had not performed a cost analysis to determine if legal services should be performed in-house or continue to be outsourced.
Recommendation	Perform a cost analysis to determine the most cost effective method of obtaining legal services.
Status	<b>Implemented</b>  The city submitted a cost analysis to us that concluded it is not feasible to have a full time attorney on staff. The city believes it will save over \$150,000 per year by contracting for legal services.
2.1 Disposal of City Property	The city did not ensure the best possible price was obtained when it disposed of two police vehicles. One vehicle was given away in a raffle which raised \$2,200, of which \$1,100 was given to the senior center. The city gave the other vehicle to a vendor in exchange for the installation of sirens and lights on new police vehicles, invoiced at approximately \$9,700. The city could not provide documentation of the value of the vehicles at the time of disposal and therefore, could not document an equitable amount was received.
Recommendation	Ensure dispositions of city property such as vehicles is handled in a manner that ensures the best possible price.



City of Pacific  
Follow-up Report on Prior Audit Findings  
Status of Findings

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Status

**Implemented**

The city administrator provided us with an Affidavit of Publication showing an advertisement seeking bids for surplus office equipment.

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3. Sewer Rates

The sewer rates charged to customers were insufficient to cover sewer operations. As a result, the 2011 budget for the Sewer Fund indicated a deficit of approximately \$7,300 and contained a note indicating any deficit in the Sewer Fund would be covered by the Water Fund. The city received a study of water and sewer rates in August 2011, and the Board of Aldermen was still considering possible action as of August 11, 2011.

Recommendation

The City of Pacific Board of Aldermen review sewer rates periodically to ensure receipts are sufficient to cover all costs of providing this service.

Status

**Implemented**

The city passed an ordinance at the March 6, 2012, meeting that raised sewer rates by \$1 per 1,000 gallons used and increased the deposit fee by \$25. The increase is effective as of May 1, 2012. The City Administrator indicated the \$7,300 deficit was primarily due to \$300,000 in utility relocations related to a street widening project, and the rate increase will help ensure the fund will not have any deficits in the future.

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4. Senior Center

The city had not received or reviewed invoices and supporting documentation from the Senior Center as required by contract. As a result, the city could not ensure city funds were spent appropriately. In April 2011, the city entered into a formal written agreement with the Senior Center to collect \$1 donations for the center from residents through water bills and to pay a portion of the city recycling rebate (received as part of its recycling contract) to the center. The agreement required the Senior Center to submit invoices with any necessary supporting documentation for these monies and keep complete and accurate records of expenditures, which were open to the city for inspection. During the year ended June 30, 2011, the city paid \$5,000 to the Senior Center under this contract.

Recommendation

The City of Pacific Board of Aldermen monitor the operations of the Senior Center to ensure city funds are spent appropriately.

Status

**Implemented**

The city submitted to us a monthly Profit and Loss Statement and Balance Sheet received from the Senior Center. There are also now two city employees on the Tri County Senior Center Board.



Thomas A. Schweich  
Missouri State Auditor

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# Nineteenth Judicial Circuit

## Cole County

### Civil and Criminal Divisions



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April 2012  
Report No. 2012-30

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of the Nineteenth Judicial Circuit, Cole County Civil and Criminal Divisions

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### Missing Funds

At least \$14,669 was received by the Circuit Court Criminal Division but not deposited. The State Auditor's office audited the circuit court criminal and civil division operations after a request made by the Presiding Judge. In December 2011, a court clerk and court clerk supervisor were both charged with one count each of felony stealing.

Monies recorded on 28 different manual receipts slips were not deposited, including monies from cash bonds and parking ticket payments. The missing cash receipts were not promptly detected due to a lack of segregation of duties, inadequate controls, and a lack of proper oversight by the Circuit Clerk.

### Accounting Controls and Procedures

The audit revealed significant weaknesses in accounting controls and procedures, making it difficult to ensure all court receipts are accounted for properly. Prior to July 2011, manual receipt slips were routinely used, but they were not timely recorded in the Justice Information System or timely deposited, and reconciliations to the Justice Information Systems were not reviewed. Accounting duties are not adequately segregated, and the Circuit Clerk's reviews are inadequate. Because of inadequate supervision, not all transactions were reviewed, questionable transactions were not identified timely, and funds are missing. In one instance, a receipt was issued for \$300 cash but was recorded in the Justice Information System 16 days later as a non-monetary transaction. The cash was never deposited, but the Circuit Clerk signed off on the cashier session without question.

The composition of receipts (cash, checks, and money orders) is recorded in the Justice Information System but is not reconciled to the composition of deposits. This failure may have contributed to the missing funds, as at least one check was substituted for cash. Non-monetary transactions, such as uncollectible write-offs, voids, and adjustments are not properly documented or reviewed by division supervisors and the Circuit Clerk. The Circuit Clerk does not review the list of accrued costs owed to the court for accuracy. Monthly lists of liabilities are not adequately reviewed to ensure bonds are disbursed in a timely manner. The Circuit Clerk lacks adequate procedures for following-up on outstanding checks.

### Corrective Action

The Circuit Clerk failed to implement recommendations made by the Court Administrator, the Office of State Courts Administrator and the Presiding Judge. Many of the weaknesses identified likely contributed to the misappropriation of funds. As far back as 2007, the Presiding Judge

expressed concern with untimely recording of receipts and failure to deposit daily, and in March 2010, the Court Administrator cautioned against using manual receipts. The Court Administrator also pointed out discrepancies which the Circuit Clerk did not adequately investigate and resolve, and in 2008, the Office of State Courts Administrator recommended additional procedures for receipting parking tickets.

#### Law Library Fund Controls and Procedures

The Circuit Clerk performs all of the accounting duties for the Law Library bank account, including recording receipts, depositing monies, writing and signing checks, and performing bank reconciliations, with no oversight or independent review. The Circuit Clerk gives the Court Administrator signed blank checks to make purchases from the fund. Duties should be segregated and/or independent reviews conducted, and the Circuit Clerk should refrain from signing blank checks.

#### Parking Ticket Procedures

There is no assurance that all Missouri Capitol Police parking tickets are recorded in the Justice Information System and deposited, and parking ticket receipts are not reconciled to the Capital Police parking ticket database. Until August 2011, parking ticket receipts were acknowledged only with manual receipt slips, and receipts issued for a period of several days might be combined into one deposit with no identifying information about the payors or the ticket numbers entered in the Justice Information System. Although some improvements have been made, the Circuit Clerk still does not reconcile the parking ticket database to Justice Information System parking ticket receipts.

#### Inactive Bank Accounts

The Circuit Clerk has two inactive bank accounts, established 20 years ago, each holding over \$100,000 related to two different cases. Maintaining inactive accounts increases the risk of misuse of funds. The Circuit Clerk should work with the court to try to identify and distribute the funds to the appropriate parties, properly dispose of any unclaimed or unidentified funds, and close the accounts.

In the areas audited, the overall performance of this entity was **Poor**.\*

#### American Recovery and Reinvestment Act (Federal Stimulus)

The Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions, did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Nineteenth Judicial Circuit - Civil and Criminal Divisions

## Cole County - Circuit Clerk

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge and Court en banc  
and  
Circuit Clerk of the  
Nineteenth Judicial Circuit  
Cole County, Missouri

The State Auditor was requested by the Honorable Judge Patricia Joyce, Presiding Judge, under Chapter 29, RSMo, to audit the Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions. The Cole County Commission engaged Williams Keepers LLC, Certified Public Accountants (CPAs), to audit the county's financial statements, including the judicial circuit divisions, for the years ended December 31, 2010 and 2009. To minimize duplication of effort, we reviewed the audit reports of the CPA firm. The scope of our audit included, but was not necessarily limited to, the period from January 1, 2009 through June 30, 2011. The objectives of our audit were to:

1. Evaluate the civil and criminal divisions' internal controls over significant financial functions.
2. Evaluate the civil and criminal divisions' compliance with certain legal provisions.
3. Determine the extent of missing monies from the civil and criminal divisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the judicial circuit's management and was not subjected to the procedures applied in our audit of the judicial circuit.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) missing monies totaling at least \$14,669. The accompanying Management Advisory Report presents our findings arising from our audit of the Nineteenth Judicial Circuit, Cole County, Civil and Criminal Divisions.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Ryan Redel, CFE, CIA



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# Nineteenth Judicial Circuit - Civil and Criminal Divisions

## Cole County - Circuit Clerk

### Management Advisory Report - State Auditor's Findings

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#### **1. Missing Funds**

Between April 1, 2010, and June 30, 2011, Circuit Court Criminal Division receipts totaling at least \$14,669 were received but not deposited.

In June 2011, court officials identified discrepancies in the criminal division's collection of some monies. After further review of court records, the Circuit Clerk and Presiding Judge contacted the Office of State Courts Administrator (OSCA) and the Missouri State Highway Patrol (MSHP) to investigate possible missing monies. In July 2011, the Presiding Judge and Circuit Clerk also contacted the State Auditor's office, and the Presiding Judge requested an audit of circuit court criminal and civil division operations.

Court personnel, the OSCA, and the MSHP reviewed transactions related to various cases and determined \$13,845 was received but not deposited. The State Auditor's office later determined an additional \$824 was received but not deposited. The court clerk and court clerk supervisor primarily responsible for the cases in which problems were identified were terminated on July 1 and July 5, 2011, respectively. The court clerk was reinstated effective September 16, 2011. In December 2011, both individuals were charged with one count each of felony stealing.

#### Undeposited receipts

Monies recorded on 28 manual receipt slips written by various personnel in the criminal division for fines, court costs, and bonds were not deposited.

- Manual receipt slips, issued for nine cash receipts totaling \$2,022, were not deposited and were entered in the Justice Information System (JIS), the Missouri courts automated case management system, as non-monetary judicial order transactions. These entries reduced the amount due from defendants in the JIS, but were not reflected in the cash receipt amounts on the daily JIS reports. These receipts were entered in the JIS from 1 to 28 days after the cash was received.
- Twelve cash bonds, totaling \$12,400, were recorded on manual receipt slips but were not recorded in the JIS or deposited. After court personnel questioned one of the missing bonds, the criminal division supervisor voided a \$25,000 bond receipt in the JIS, entered the 12 missing bonds, and re-entered the voided bond as only \$12,600.
- A \$122 check received in October 2010 was recorded on manual receipt slips but not in the JIS. The check was later deposited in December 2010, and cash for the same amount was withheld from the deposit. The related case was credited in December 2010 with a judicial order non-monetary transaction of \$122 so the case would not continue to show an outstanding balance.



Nineteenth Judicial Circuit - Civil and Criminal Divisions  
Cole County - Circuit Clerk  
Management Advisory Report - State Auditor's Findings

- During the initial investigation, on June 30, 2011, the Court Administrator and a Missouri State Highway Patrol investigator discovered cash on hand was \$50 less than amounts recorded on the manual receipt slips issued on June 29, 2011. The amount recorded in the JIS on July 1, agreed to the amount recorded on manual receipts; however, the deposit was short the \$50.
- A comparison of manual parking ticket receipt slips to amounts recorded in the JIS and deposited identified five parking ticket receipts totaling \$75 that were not deposited.

The lack of segregation of duties, inadequate controls, and the absence of proper oversight by the Circuit Clerk, as discussed in the remainder of this report, resulted in missing cash receipts being undetected on a timely basis.

## Recommendation

The Court En Banc and the Circuit Clerk continue to work with law enforcement officials regarding criminal prosecution related to the missing cash receipts, including restitution of the missing funds.

## Auditee's Response

*The Court En Banc provided the following written response:*

*The Court En Banc will continue to work with law enforcement officials regarding criminal prosecution relating to the missing cash receipts including restitution of missing funds.*

*The Circuit Clerk provided the following written response:*

*Upon discovery of the missing funds, the Circuit Clerk notified the Presiding Judge and together they contacted the Office of State Courts Administrator and the Missouri State Highway Patrol. A criminal investigation occurred which resulted in the dismissal of court clerks and the filing of criminal charges against those clerks. The Circuit Clerk is continuing to work with law enforcement officials regarding criminal prosecution related to the missing cash receipts, including restitution of the missing funds.*

## 2. Accounting Controls and Procedures

Significant weaknesses were identified with accounting controls and procedures of the civil and criminal divisions of the circuit court. As a result, some court receipts were not accounted for properly.

According to circuit court records, receipts collected during the years December 31, 2010 and 2009, were approximately \$2,831,800 and \$3,616,000, respectively. Fines and court costs are collected, recorded in the JIS, and deposited into the Circuit Clerk's general bank account by personnel of the Circuit Clerk's office. Cash bonds are collected and receipted by the Cole County Sheriff's office, then transmitted in cash to the



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Management Advisory Report - State Auditor's Findings

Circuit Clerk's office for deposit. Prior to July 2011, manual receipts were used to record some cash receipts that were not immediately recorded in the JIS.

## 2.1 Segregation of duties and supervisory review

The duties of receiving and recording receipts, preparing deposits, and disbursing funds are not adequately segregated and supervisory reviews are insufficient to detect errors. There are several clerks in the criminal and civil divisions with responsibilities for collecting monies. The two division supervisors record transactions, trace manual receipts to JIS entries, approve voids, review daily JIS cashier session reports of the other clerks, and prepare deposits, in addition to collecting monies.

The Circuit Clerk indicated she reviews deposits prepared by the division supervisors; however, these reviews were inadequate and did not detect several questionable transactions. The Circuit Clerk's review consisted of comparing the total amount to be deposited, as calculated by the division supervisor, to the amount on the deposit receipt after the deposit was made. The Circuit Clerk does not review each daily cashier session, account for the numerical sequence of the cashier sessions to ensure all monies recorded in the JIS are deposited, or review manual receipt and JIS records to ensure all manual receipts are recorded and deposited.

We noted instances in which the cashier sessions for certain transactions could not be located in the supporting documentation indicating they were never reviewed by the Circuit Clerk. In addition, the Circuit Clerk does not verify the composition of the deposit to ensure it reconciles to JIS records. Because of inadequate supervision, not all transactions were reviewed, questionable transactions were not identified on a timely basis, and funds are missing. For example, a manual receipt for \$300 cash was issued by the criminal division supervisor on February 8, 2011. The supervisor recorded the receipt into the JIS 16 days later as a non-monetary judicial order transaction and the cash was never deposited. The Circuit Clerk signed off on the cashier session without questioning the non-monetary transaction.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected. Internal controls would be improved by segregating duties to the extent possible, and the Circuit Clerk performing a thorough supervisory review including accounting for all cashier sessions.

## 2.2 Manual receipt slips

Manual receipt slips issued by the criminal division were not recorded timely in the JIS or deposited timely, and reconciliations to the JIS were not reviewed. Prior to July 2011, manual receipt slips were routinely issued by the criminal division for cash bonds, parking ticket receipts, and other transactions. In July 2011, the Circuit Clerk implemented new procedures,



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and manual receipt slips are now only used when the JIS is unavailable. The following concerns were noted during a review of manual receipt slips:

- Manual receipt slips were not recorded in the JIS on a timely basis and subsequently not deposited timely. Receipts were only included in daily deposits if they were recorded in the JIS as monetary transactions. Of the 2,635 manual receipt slips issued between January 2009 and June 2011, 751 (29 percent) were not recorded in the JIS for 2 or more days. One manual receipt slip issued on January 12, 2010, was not recorded in the JIS and deposited until March 3, 2010.
- There is no independent review to ensure manual receipt slips are properly entered in the JIS and subsequently deposited. Circuit Clerk procedures required manual receipts be entered in the JIS timely, and reviewed by a supervisor from another division to ensure they were recorded in the JIS. These procedures were not always followed, and as noted above, the Circuit Clerk's review did not ensure this process took place. We noted several instances in which the criminal division supervisor collected monies; issued a manual receipt; and signed off on her own manual receipt indicating it had been reviewed, entered into the JIS, and deposited. There was no additional review of these transactions to ensure they were properly recorded in the JIS and some of these receipts were not deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, procedures should be established to account for manual receipt slips and verify receipts have been recorded in the JIS on a timely basis and deposited.

## 2.3 Composition

The composition (cash, checks, and money orders) of receipts recorded in the JIS is not reconciled to the composition of deposits. When monies are recorded in the JIS, the composition is indicated. The division supervisor calculates the actual cash, checks, and money orders to be deposited and documents this on a calculator tape attached to the deposit support. The composition of the total calculated is not reconciled to the composition recorded in the JIS. Failure to reconcile the composition of deposits may have contributed to the check substitution noted in MAR finding number 1. We also noted, for 27 of the 441 (6 percent) deposits reviewed, the composition of receipts in the JIS differed from the composition of the deposit. We reviewed supporting documentation for the deposits and determined the errors were due to incorrect coding in the JIS.

To ensure all monies received are accounted for properly, recorded, and deposited, the composition of monies received and recorded into the JIS should be reconciled to the composition of deposits. Any discrepancies in composition or other details should be investigated and resolved.



## 2.4 Non-monetary transactions

Non-monetary transactions, voids, and adjustments in the JIS are not properly documented or reviewed by division supervisors and the Circuit Clerk. Non-monetary transactions, including judicial order transactions and uncollectible bad debt write-offs, are transactions where no monies are received; however, a credit is applied or the amount due is changed. All clerks are allowed to enter non-monetary transactions and voids in the JIS. Circuit Clerk procedures provide that non-monetary transactions, voids, and adjustments should be supported by documentation, and reviewed and approved by a supervisor and the Circuit Clerk. Most of the non-monetary transactions should have been supported by an order from the court reducing the defendant's debt owed. The Circuit Clerk's office did not maintain documentation for several non-monetary transactions, voids, and adjustments that occurred during our audit period. The missing documentation was not identified or requested during the review process. Some of these transactions were used to conceal missing monies (see MAR finding number 1).

To reduce the risk of loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly. Non-monetary transactions, voids, and adjustments should be supported by adequate documentation and reviewed and approved by a supervisor to ensure such transactions are appropriate.

## 2.5 Accrued costs

The Circuit Clerk does not review accrued case costs owed to the court (court costs, incarceration costs, court-ordered restitution, and fines) for accuracy. We noted several cases in which costs were included on the JIS list of accrued costs erroneously. For example, the JIS list included an outstanding restitution balance of \$30,373 for one defendant; however, the case was closed and there should be no restitution associated with the case. Some case balances are inaccurate due to the transfer of cases from the old computer system to the JIS system in the late 1990s. Court personnel indicated some cases showed a balance due after the transfer even though the costs were paid in full. Court personnel did not realize the error until they began using debt collection services through the Missouri Department of Revenue (DOR). Court personnel indicated they correct the error when a debt collection notice is received in error, but they have not taken steps to identify these cases before the information is sent to the DOR for debt collection.

A complete and accurate list of accrued costs would allow the Circuit Clerk to easily review amounts due the court and take appropriate steps to ensure amounts owed are collected.

## 2.6 Bond liabilities

Monthly lists of liabilities are not adequately reviewed to ensure bonds are disbursed in a timely manner. Court personnel indicated a monthly liabilities report is run from the JIS to perform end of month procedures and the report



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is supposed to be reviewed for any bonds that should be disbursed. Court personnel indicated they could not determine the last time the monthly list of liabilities for the criminal division was reviewed prior to a review in September 2011. In one case reviewed, bond monies were received in December 2005, but no charges were filed. Bond monies were not refunded until October 2011, after the bond liabilities report was reviewed in September.

To properly monitor bonds and ensure monies are appropriately disbursed as provided by state law, procedures should be followed to routinely investigate bonds remaining on the liabilities list over a specified period of time.

## 2.7 Outstanding checks

The Circuit Clerk has not developed adequate procedures to follow up on outstanding checks. As of June 30, 2011, JIS records indicate 128 checks, totaling \$16,537, had been outstanding for over a year. Fifty-two of these checks have been outstanding for more than 2 years. The Circuit Clerk stated, in the past, they would review the outstanding check list and try to determine a different address for the payee; however, they have not kept up with this process.

To properly monitor disbursements and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law, procedures should be established to routinely investigate outstanding checks.

## Recommendations

The Circuit Clerk:

- 2.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 2.2 Ensure manual receipts are recorded in the JIS and deposited timely, and are reviewed and reconciled to the JIS and deposits by someone independent of the receipting process.
- 2.3 Reconcile the composition of recorded receipts to the composition of bank deposits and retain documentation of these reconciliations.
- 2.4 Follow procedures requiring non-monetary transactions, voids, and adjustments to be documented and reviewed and approved by a supervisor.
- 2.5 Maintain a complete and accurate list of accrued costs.
- 2.6 Establish procedures to review the status of liabilities to determine the appropriate disposition of funds held on closed cases.



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Management Advisory Report - State Auditor's Findings

- 2.7 Develop procedures to routinely follow-up on outstanding checks and reissue them if necessary or dispose of these monies in accordance with state law.

## Auditee's Response

*The Circuit Clerk provided the following written responses:*

- 2.1 *The Circuit Clerk is in the process of implementing a greater segregation of duties in terms of receipting money and documenting the transactions. The Circuit Clerk is running weekly reports and checking for suspicious activity and voided receipts. The Circuit Clerk is supervising cash receipts. All transactions are recorded daily.*
- 2.2 *This is being done. The Circuit Clerk has also largely eliminated the use of manual receipts. All transactions are being entered into JIS and receipts are being issued through that system. The only time manual receipts are used is if the computers are down and when the end-of-the-month reports are produced. The Circuit Clerk is reviewing all manual receipts and manual receipts are being entered daily. The Circuit Clerk is reviewing the receipts and prepared deposits and reconciling those in the JIS system. There are now only two manual receipts books which are maintained by the Circuit Clerk.*
- 2.3 *This is being done. The Circuit Clerk is reconciling receipts and deposit slips and reconciling those documents to the JIS system. Documentation is being retained.*
- 2.4 *This is being done. Non-monetary transactions and bad debt receipts now require an order signed by a judge before any debt is written off. Court clerks must have supervisor approval to void a transaction. The voided transaction is approved and signed by the Division Clerk. The Circuit Clerk is maintaining documentation of voided transactions and continues to reconcile the transactions in JIS.*
- 2.5 *The Circuit Clerk is in the process of addressing the recommendation regarding accrued costs. There is currently a debt collection offset program in place which allows the court to obtain money against accrued costs.*
- 2.6 *The Circuit Clerk is in the process of addressing the recommendation to establish procedures to review the status of liabilities to determine the appropriate disposition of funds held on closed cases to ensure bond forfeitures, bond refunds and court costs are disbursed on a timely basis.*



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2.7 *This is being done. The Circuit Clerk is reviewing reports to make sure monies are being disbursed to payees. The Circuit Clerk has also implemented procedures to follow-up on outstanding checks.*

*The Court En Banc provided the following written response:*

*After the initial exit interview in December with the audit staff, the Presiding Judge scheduled monthly accounting review meetings with the Circuit Clerk to ensure that the recommendations were being implemented. In the two meetings the Circuit Clerk was requested to provide that documentation. The Circuit Clerk has provided proof that recommendations of 2.1 were being implemented. The Circuit Clerk has not provided any proof that the recommendation in 2.2, 2.3, 2.4, 2.5, and 2.7 were being followed. With reference to 2.6, the Court Administrator is providing reviews of the bond forfeitures. Otherwise, the recommendations of 2.6 are not being implemented.*

### 3. Corrective Action

The Circuit Clerk failed to implement recommendations made by the Court Administrator, OSCA, and Presiding Judge. The Circuit Clerk's office has been reviewed numerous times since at least 2007. Those conducting reviews identified weaknesses in and recommended changes to civil and criminal division accounting controls and procedures. The Circuit Clerk rarely responded to those conducting the reviews and took little corrective action to implement the recommendations. Many of the weaknesses identified are similar to those noted in our report and likely contributed to the misappropriation of funds. Notable recommendations made to the Circuit Clerk included:

- In October 2007, and again in October 2008, the Presiding Judge issued letters to the Circuit Clerk expressing concerns with untimely recording of receipts and failure to deposit daily.
- In October 2008, the OSCA issued a report to the Circuit Clerk as a result of an Accounting Procedures Review and recommended various changes to court functions including additional procedures for receipting Missouri State Capital Police parking tickets in the JIS.
- In a February 2009 email and a March 2011 audit report, the Court Administrator recommended the Circuit Clerk review liabilities because it appeared monies were held that needed to be disbursed.
- In a March 2010 audit report, the Court Administrator recommended the Circuit Clerk refrain from using manual receipts. Manual receipts continued to be used by the clerks until July 2011, when missing funds were identified.





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Management Advisory Report - State Auditor's Findings

- In a March 2011 audit report, the Court Administrator recommended discrepancies in the liabilities report and general ledger totals should be reviewed before month end reporting. The Court Administrator also noted numerous cashier sessions with uncollectible/bad debt receipts without documentation as to why the costs were written off.

To ensure the Circuit Clerk's office is operating efficiently and reduce the risk of loss or misuse of funds, recommendations should be reviewed and corrective action taken.

## Recommendation

The Circuit Clerk establish procedures to implement recommendations timely.

## Auditee's Response

*The Circuit Clerk provided the following written response:*

*The Circuit Clerk has already taken action to implement many of the audit recommendations which has been acknowledged by the Office of State Courts Administrator ("OSCA"). Representatives from OSCA visited with the Circuit Court's Management Team comprised of the Circuit Clerk, the Presiding Judge, the other three judges, the Court Administrator and two supervisors (one for the Civil Division and one from the Criminal Division) and other courthouse employees since the audit. OSCA recognized that significant improvements have been made to internal controls since the audit. The improvements include, but are not limited to, the following: the use of manual receipts has been significantly reduced. Supervisors ensure that manual receipts are recorded in JIS. The supervisors no longer receipt monies. Non-monetary receipts now require documentation including court orders issued by the judges and the transactions are reviewed by supervisors. Only supervisors are allowed to void and retake receipts from cashier sessions. OSCA further noted that the Court has developed a written policy for receipting money and enacted "very good" accounting guidelines.*

*By way of further response, all money is receipted into JIS daily except when the computers are down. All parking ticket money is receipted by ticket number and entered into both the database for the Capitol Police and JIS daily. The Circuit Clerk reconciles both reports for accuracy. The Circuit Clerk is also now running regular reports looking for suspicious transactions or voided receipts.*

## 4. Law Library Fund Controls and Procedures

Accounting duties related to the Law Library bank account are not adequately segregated and independent reviews over the accounting records are not performed. According to law library financial records, receipts collected during the years ended December 31, 2010 and 2009, were approximately \$49,945 and \$47,128, respectively. The Circuit Clerk performs all of the accounting duties including recording receipts, depositing monies, writing and signing checks, and performing bank reconciliations. An independent review of the financial activities is not



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Management Advisory Report - State Auditor's Findings

performed. In addition, the Circuit Clerk signs blank checks for the Court Administrator to make purchases from the Law Library Fund. Invoices for the disbursements are later provided to the Circuit Clerk. We reviewed purchases made in 2011, and it appears the items purchased were appropriate and adequately documented.

Internal controls would be improved by segregating duties. If proper segregation of duties is not possible, at a minimum, periodic reviews of the records should be performed by an independent individual and documented. In addition, to ensure disbursements are appropriate, the Circuit Clerk should refrain from signing blank checks for purchases.

## Recommendation

The Court En Banc and the Circuit Clerk ensure accounting duties are adequately segregated or independent reviews are performed periodically. In addition, the Circuit Clerk should refrain from signing blank checks for purchases.

## Auditee's Response

*The Court En Banc provided the following written response:*

*The Court En Banc will require the Court Administrator to perform independent reviews of the law library fund. The Drug Court Administrator will review law library receipts and disbursements. No additional blank checks will be issued by the Circuit Clerk.*

*The Circuit Clerk provided the following written response:*

*This is being done. Segregation of responsibilities has been implemented. One individual is responsible for review of all entries. The Circuit Clerk is responsible for writing the text and the Court Administrator is performing the reconciliation. The Presiding Judge and Court Administrator are reviewing the decisions regarding expenditure of funds for the law library.*

## 5. Parking Ticket Procedures

The Circuit Clerk does not have sufficient procedures to ensure all Missouri Capitol Police parking ticket receipts are recorded in the JIS and deposited. In addition, parking ticket receipts are not reconciled to the Capital Police parking ticket database. All Capitol Police parking tickets issued in Cole County are processed through the Circuit Court Criminal Division.

Prior to August 2011, when Capitol Police parking ticket receipts were received in the criminal division, a clerk would issue a manual receipt, enter the ticket number in a ticket log, and update the database maintained by the Capitol Police listing all tickets issued to show the ticket was paid. All tickets were added together and the total amount of cash received was entered as one receipt and the total amount of checks received was entered as another receipt in the JIS instead of entering the individual receipts for each ticket. These entries could include receipts issued for a period of



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Management Advisory Report - State Auditor's Findings

several days, and no identifying information about the individuals making the payments or the ticket numbers were entered into the JIS. Because individual names and ticket numbers were not entered into the JIS, there was no way to verify JIS receipts against the ticket database to ensure all payments were recorded and deposited. In addition, the ticket log was not used to verify all tickets were recorded in the JIS or deposited. Current procedures require these parking tickets be receipted individually into the JIS, and the receipt record indicates the applicable ticket number. However, there is still no reconciliation of monies received and deposited to tickets marked paid in the parking ticket database.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing procedures to reconcile the parking ticket database to monies recorded in the JIS.

## Recommendation

The Circuit Clerk reconcile the parking ticket database to JIS parking ticket receipts.

## Auditee's Response

*The Circuit Clerk provide the following written response:*

*This is being done. Payment for tickets is receipted according to the parking ticket number. The money for the tickets is receipted and deposited every day. The tickets are initially submitted through the Civil Division where the tickets envelopes are counted, but not opened. The tickets are then sent to the Criminal Division where a clerk is assigned to enter the ticket number into a spreadsheet. Then tickets are then turned over to a separate clerk for entry into both the JIS system and the Capitol Police system. There are only two clerks who are authorized users in the computer system. The Circuit Clerk reconciles the reports entered through JIS and the individual database for the Missouri Capitol Police.*

*The Court En Banc provided the following written response:*

*In the monthly review previously mentioned in response 2, the Circuit Clerk has provided no proof that the parking ticket database is reconciled to the Judicial Information System (JIS) parking ticket database.*

## 6. Inactive Bank Accounts

The Circuit Clerk has two inactive bank accounts established to hold funds for court cases including one set up for a state agency case and another for a case involving a private company. The Circuit Clerk indicated both accounts were set up approximately 20 years ago, prior to her taking office, and she does not know why the monies are held. There has been no activity on the accounts and no attempt has been made to identify or properly dispose of the monies in these accounts. As of June 30, 2011, the balance in the state



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Management Advisory Report - State Auditor's Findings

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agency case account was \$132,244 and the balance in the other case was \$107,582.

Maintaining inactive accounts increases the risk of misuse of funds. To ensure funds held are disposed of in accordance with state law, the Circuit Clerk should work with the court to attempt to identify and distribute the funds held in the old inactive bank accounts, dispose of any unclaimed or unidentified funds, and close the accounts.

## Recommendation

The Court En Banc and the Circuit Clerk attempt to identify and distribute the funds held in old inactive bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.

## Auditee's Response

*The Court En Banc provided the following written response:*

*The Presiding Judge has requested the Circuit Clerk obtain court documents relating to these accounts. One court record has been obtained and is scheduled for court action on June 18, 2012. The Circuit Clerk has responded that she cannot locate any of the court records relating to the account for \$107,582. The Presiding Judge has contacted one of the parties to determine whether they have copies of any of the court records. After the file has been reconstructed, the court will proceed to dispose of the underlying case to distribute the proceeds.*

*The Circuit Clerk provided the following written response:*

*This is being done. The Circuit Clerk is working with the Court En banc to distribute funds held in old bank accounts, dispose of any unclaimed or unidentified funds in accordance with state law, and close the accounts.*

# Nineteenth Judicial Circuit - Civil and Criminal Divisions

## Cole County - Circuit Clerk

### Organization and Statistical Information

The Nineteenth Judicial Circuit consists only of Cole County.

The Nineteenth Judicial Circuit consists of three circuit judges, one associate circuit judge, and one senior judge. The three circuit judges preside over Divisions I, II, and IV. The associate circuit judge presides over Division III.

#### Personnel

At June 30, 2011, the judges, Circuit Clerk, and Court Administrator, of the Nineteenth Judicial Circuit, Cole County, were as follows:

Title	Name
Circuit Judge, Division I	Jon E. Beetem
Circuit Judge, Division II	Daniel R. Green
Circuit Judge, Division IV	Patricia S. Joyce
Associate Circuit Judge, Division III	Thomas L. Sodergren
Senior Judge	Byron L. Kinder
Circuit Clerk	Brenda A. Umstattd
Court Administrator	Marilue E. Hemmel

#### Financial Information

Receipts of the Nineteenth Judicial Circuit, Cole County, were as follows:

	Year Ended December 31,		
	2011	2010	2009
Court deposits, fee, bonds, and other	\$ 19,581,063	\$ 2,821,968	3,616,245
Drug Court	15,680	10,606	7,053
Interest income	22,773	8,899	11,394
Total	\$ 19,619,516 <sup>1</sup>	\$ 2,841,473	3,634,692

#### Caseload Information

From the Office of State Courts Administrator Missouri Judicial Reports, case filings of the Civil and Criminal divisions of this judicial circuit were as follows:

	Year Ended June 30,	
	2011	2010
Civil	5,042	4,873
Criminal	5,504	5,808
Total	10,546	10,681

<sup>1</sup> The court receipted approximately \$16.5 million in 2011 for 1 case still in progress.



Nineteenth Judicial Circuit  
Cole County - Circuit Clerk  
Schedule of Missing Receipts

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Nineteenth Judicial Circuit, Cole County, did not receive any federal stimulus monies during the year ended December 31, 2010.

# Nineteenth Judicial Circuit - Civil and Criminal Divisions

## Cole County - Circuit Clerk

### Supporting Documentation for Missing Cash Receipts

The following tables provide supporting documentation for the missing monies noted in Management Advisory Report finding number 1.

#### Cash Receipts Entered as Non-Monetary Judicial Order Transactions

Date Received	Manual Receipt Number	Amount Received
December 10, 2010	789194	\$ 159
December 16, 2010	577805	247
December 30, 2010	577834	80
February 8, 2011	577901	300
February 28, 2011	577944	147
March 31, 2011	241225	144
March 31, 2011	241227	179
May 27, 2011	241374	647
May 31, 2011	241379	119
Total		\$ 2,022

#### Missing Bonds

Date Received	Manual Receipt Number	Amount Received
April 15, 2011	241266	\$ 5,000
May 6, 2011	241316	1,000
May 16, 2011	241344	500
May 16, 2011	241345	500
May 24, 2011	241365	1,000
May 25, 2011	241370	2,000
June 6, 2011	241384	500
June 6, 2011	241385	500
June 15, 2011	241399	200
June 15, 2011	241400	100
June 15, 2011	241001	100
June 17, 2011	241005	1,000
Total		\$ 12,400

#### Check Substituted for Cash Receipts

Date Received	Manual Receipt Number	Amount Received
October 29, 2010	789084	\$ 122
Total		\$ 122

#### Missing Receipt From Safe

Date Received	Manual Receipt Number	Amount Received
June 29, 2011	241020	\$ 50
Total		\$ 50



Nineteenth Judicial Circuit  
Cole County - Circuit Clerk  
Schedule of Missing Receipts

Parking Ticket Receipts Not  
Deposited

Date Received	Manual Receipt Number	Amount Received
April 1, 2010	574662	\$ 10
April 5, 2010	574675	5
March 16, 2011	577987	50
June 9, 2011	241393	5
June 10, 2011	241394	5
Total Parking Receipts		\$ 75





Thomas A. Schweich  
Missouri State Auditor

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## REVENUE

# Contract License Offices Monitoring



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April 2012  
Report No. 2012-29

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of the Department of Revenue, Contract License Offices, Monitoring

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Background	The Director of the Department of Revenue (DOR) appoints contract agents to operate the 183 contract license offices, throughout the state, responsible for collecting motor vehicle registration fees, driver license fees, and motor vehicle sales and use tax. Contract agents receive statutorily set fees for each type of transaction processed. Contract agents assessed and retained over \$30 million per year in total processing fees in fiscal years 2009, 2010 and 2011. The DOR monitors contract license offices through the License Office Bureau (LOB), under the management of the Motor Vehicle and Driver Licensing Division. This audit evaluated departmental processes to monitor contract license offices. The scope of our audit included, but was not necessarily limited to the 3 years ended June 30, 2011.
Contract Compliance	The DOR does not monitor to ensure contract agents abide by the assurances and guarantees contained in the contracts. For example, one not-for-profit which was awarded more than ten contract license offices made assurances its for-profit management company would neither perform any direct services required by the contracts nor receive any monetary benefit from the NFP's operation of the contract license offices. The DOR had not established procedures to ensure compliance.
Liquidated Damages	The DOR needs to establish better procedures to monitor and document the payment and waiver of liquidated damages. The LOB assesses liquidated damages when certain contract provisions are not met, but it does not track whether the liquidated damages were collected or waived and does not maintain documentation to support its decision to waive such payments.
Compliance and Investigation Bureau	The Compliance and Investigation Bureau (CIB) is the DOR's internal review section. <sup>1</sup> The CIB had not established a schedule for the review of contract license offices and it will likely not review each contract license office at least once during the contract period. When preparing the risk assessment of contract license offices, the CIB did not formally consider fraud risk factors, such as opportunities, incentives/pressures, and attitudes/rationalizations that exist which could allow fraud to occur in the contract license offices. Neither the LOB nor the CIB had established criteria, policies, and procedures to determine when a follow-up review should be performed, and the LOB did not require field coordinators to formally follow-up on findings during their monthly monitoring visits. As a result, no follow-up was conducted after a May 2009 report noted a shortage of over \$8,000 at one contract license office, and two other reports found funds had been withheld from the daily deposits and substituted with funds from subsequent receipts.

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<sup>1</sup> Effective July 1, 2011, the Internal Compliance Bureau combined with the Investigation Bureau within the Legal Services Division and is now the Compliance and Investigation Bureau.

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Fraudulent Document Training	Although the DOR requires employees working in the state operated license office to attend fraudulent document training, it has not required contract license office personnel to complete the training. Online training is available through the DOR intranet, but it is not mandatory. In January 2012, a federal grand jury indicted several individuals in connection with a \$5 million fraudulent identity scheme related to approximately 3,500 licenses issued by the St. Joseph contract license office, and in February 2012, an employee of the Bridgeton contract license office was indicted for providing fraudulent documents to undocumented aliens. Given the recently discovered schemes, the DOR should require contract license office personnel be trained to recognize fraudulent documents, such as title and vehicle identification documents, birth certificates, driver's licenses and identification cards, and social security cards.
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In the areas audited, the overall performance of this entity was **Fair**.\*

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American Recovery and Reinvestment Act (Federal Stimulus)	Not applicable.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- |                   |   |
|-------------------|---|
| <b>Excellent:</b> | The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.  |
| <b>Good:</b>      | The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.   |
| <b>Fair:</b>      | The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented. |
| <b>Poor:</b>      | The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.                                  |

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

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# Department of Revenue

## Contract License Offices, Monitoring

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Alana M. Barragán-Scott, Director  
Department of Revenue  
Jefferson City, Missouri

In fulfillment of our duties under Chapter 29, RSMo, we have audited certain aspects of the Contract License Offices Monitoring, by the Department of Revenue. The objectives of our audit were to:

1. Evaluate policies and procedures pertaining to the monitoring of the contract license offices.
2. Evaluate compliance with certain contractual and statutory provisions pertaining to the monitoring of the contract license offices.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions, pertaining to the monitoring of the contract license offices

Although the Department of Revenue established many critical internal controls necessary for the monitoring of contract license offices, some controls need to be strengthened to enhance the integrity and credibility of the monitoring process. In addition, we identified noncompliance with contractual provisions and the need for improvement in management practices and procedures.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards

require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Katie Twiehaus
Audit Staff:	Corey McComas, M.Acct., CPA
	Kelli Oldham

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# Department of Revenue

## Contract License Offices, Monitoring

### Introduction

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#### **Background**

The Department of Revenue (DOR) was created by Article IV, Section 12, Missouri Constitution, as the central collection agency for state revenues. The DOR is headed by the Director of Revenue who is appointed by the Governor with the advice and consent of the Senate. Section 136.030(2), RSMo, provides the director of revenue shall make provisions for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and other taxes. The Motor Vehicle and Driver Licensing (MV/DL) Division facilitates the registration of motor vehicles, trailers, and marine craft in the state, and the licensing of all operators of motor vehicles residing in the state, as well as tax collection.

The License Office Bureau (LOB), under the management of the MV/DL Division, is responsible for administering the operations of 183 contract license offices throughout the state. Additionally, a central license office is operated by the DOR in Jefferson City. The LOB has 14 field coordinators who monitor approximately 13 contract license offices each, within specified regions. The field coordinators are required to visit each office in their region at least once per month and perform a review of contract license office practices to ensure the offices are following standard DOR policies and procedures. The field coordinators also perform an on-site review of contract compliance twice each year. In addition, the LOB and field coordinators monitor inventory items of over 500 different types of license plates which can be classified into six major categories: passenger, truck, trailer, motorcycle, bus, and dealer.

The DOR assesses the contract license offices liquidated damages for non-compliance with contract terms including, but not limited to, failure to attend required training, enter lien information daily, make timely deposits and shipments, and comply with days and hours of operation; misuse of user ID and passwords; and transactions processed by unauthorized personnel. The damages may be forgiven for items such as weather related closure and bank/courier service errors.

The contract agents are not compensated as employees by the DOR, but do receive fees, set by statute, for each type of transaction processed. Contract agents who were awarded additional points during the bidding process are required to meet provisions related to returning a percentage of its processing fees to the DOR. The contract agent is responsible for all expense of the contract license office, including the compensation of office employees, office furniture, and supplies. However, the DOR furnishes certain computer equipment for processing transactions.

Historically, the DOR maintained contract license offices throughout the state which were managed by contract agents selected and appointed by the Governor. Beginning in January 2009, the DOR began awarding contract license offices through a competitive bidding process.



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Introduction

Effective August 2009, Section 136.055, RSMo, requires contract offices to be awarded through a competitive bidding process. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Also, "... fees collected by a tax-exempt organization may be retained and used by the organization."

Contracts for the contract license offices are typically for 1 year, with three 1-year renewal periods. However, the contract may be canceled at the discretion of the DOR. The contract license office contract must also include a requirement which allows the State Auditor to audit the contract license offices.

## Scope and Methodology

The scope of our audit included, but was not necessarily limited to, the 3 years ended June 30, 2011.

Our methodology included conducting interviews with appropriate DOR personnel, as well as certain external parties; reviewing written policies and procedures; reviewing applicable state law; reviewing and evaluating DOR monitoring records and other pertinent documents; and testing certain transactions.

We obtained an understanding of internal controls that were significant within the context of the audit objectives and assessed whether such controls had been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that were significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

To evaluate the monitoring of contract license offices, we obtained, from the DOR: 1) the 14 field coordinator regions, and the contract license offices assigned to each field coordinator, 2) any DOR Compliance and Investigation Bureau reviews issued, and 3) the total fees retained and fees returned to the state, as well as the amount of liquidated damages (penalties) paid by, for each contract license office. Based on this information, we selected 20 offices to review and evaluate the monitoring of the contract license offices, as performed by DOR.

We reviewed the monitoring procedures for these offices and determined whether:





Department of Revenue  
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Introduction

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- The contract license offices were monitored as required by LOB policy.
- The DOR ensured corrective action was taken for problems identified.
- Liquidated damages assessed were properly remitted to the DOR.
- The contract manager, office manager, and contract license office personnel were trained by the DOR per contract requirements (unless training was waived by the DOR).
- Fees were properly calculated and remitted to the state and retained by the contract agent, as appropriate.
- The return to state as a percentage of the agent's processing fees was properly calculated and remitted to the state, as required by the contract license office contract.

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# Department of Revenue

## Contract License Offices, Monitoring

### Management Advisory Report - State Auditor's Findings

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#### **1. Contract Compliance**

The Department of Revenue (DOR) does not monitor to ensure contract agents comply with assurances and guarantees made during the bidding process. In addition, the Request for Proposals (RFP) does not include provisions for noncompliance with some assurances and guarantees.

During the bidding process, the DOR awards a half-point to bidders for agreeing to provide potential public benefits. Some significant public benefit assurances made by successful bidders included:

- All profits would provide support to a local community college.
- Three percent of collected fees would be donated to an autism support group and to provide paid internships to local high school students associated with a specific not-for-profit (NFP) business organization.
- An agreement to support dislocated workers and young adults, who meet eligibility requirements, to gain work skills.

In addition, an NFP, which was awarded over ten contract license offices, made assurances that its for-profit management company would not 1) receive any monetary benefit from the NFP's operation of the contract license offices and 2) would not provide direct services required by the RFP.

However the DOR did not establish procedures to ensure successful bidders complied with these assurances. According to DOR personnel, the contract agent is bound by the contract and the DOR relies upon the contract as confirmation that the contract agent is abiding by the contract provisions.

The DOR needs to establish procedures to ensure successful bidders comply with public benefit assurances made during the procurement process. Penalties should be established for noncompliance with public benefit assurances made in the bids/proposals, such as liquidating damages and/or contract termination, and included in the RFP to ensure all bidders are aware of the penalties.

#### **Recommendation**

The DOR establish policies and procedures to ensure that contract agents comply with significant assurances and guarantees made during the procurement process and include penalties for noncompliance in the RFP.

#### **Auditee's Response**

*Presently, a contract manager must sign the Contract Compliance Check, confirming that the contractor is compliant with all assurances and guarantees made regarding public benefits. Going forward, contractors will be required to document compliance as part of the compliance check process. The Department will discuss with the Office of Administration the appropriateness of including a liquidated damages provision for noncompliance with such assurances and guarantees.*



## 2. Liquidated Damages

The DOR needs to establish better procedures to monitor and document the payment and waiver of liquidated damages.

The License Office Bureau (LOB) does not track whether liquidated damages assessed were collected or eventually waived. In addition, the LOB does not maintain documentation to support the reason(s) for waiving liquidated damages. As a result, the LOB has little assurance that assessed damages have either been properly collected or waived. The total assessed and collected liquidated damages for all offices during the 3 years ended June 30, 2011, were:

		2011	2010	2009
Assessed	\$	8,500	9,500	21,000
Collected		8,700	18,441	0

Liquidated damages are assessed by the LOB when a contract license offices does not meet certain RFP provisions including, but not limited to:

- Failure to enter a Notice of Lien information daily.
- Failure to attend required training.
- Failure to remit required documentation to the DOR within 10 business days.
- A rejection rate over 2 percent.
- m Transactions performed by unauthorized person.

The difference between the damages assessed and collected include timing differences and damages which are forgiven for reasons such as weather related closures and bank and courier service errors.

To ensure all liquidated damages assessed have been accounted for properly, the damages collected and waived should be tracked.

## Recommendation

The DOR establish procedures to properly account for liquidated damages assessed, collected, and waived. In addition, the DOR should retain documentation to support why assessed damages are waived.

## Auditee's Response

*Implemented. In 2011, the Department combined tracking reports into one, documenting all liquidated damages assessed, collected or waived, and the reason for any waivers. The Department also completes a monthly reconciliation of ACH debits to ensure the damages were assessed and collected.*



### 3. Compliance and Investigation Bureau Bureau

The Compliance and Investigation Bureau (CIB) needs to improve policies and procedures regarding its review of contract license offices.

The Internal Compliance Bureau was the internal review section for the DOR and included four staff. Effective July 1, 2011, the Internal Compliance Bureau was combined with the Investigation Bureau within the Legal Services Division, and is now the CIB. During the 3 years ended June 30, 2011, the CIB issued 107 reports, including 56 reviews of contract license offices.

#### 3.1 Review schedule

The CIB has not established a schedule for the review of contract license offices. In addition, it is unlikely the CIB will review each contract license office at least once during the license office contract period, (usually 4 years).

A CIB review helps DOR ensure 1) collections and inventory are accounted for properly, and 2) the license office is complying with applicable contract terms and DOR rules and regulations. In addition, each contract license office should be reviewed at least once during the contract period to help the DOR determine whether the contract license office contract should be renewed.

#### 3.2 Risk assessment

The CIB does not formally consider fraud risk factors when preparing the risk assessment of contract license offices.

When determining which contract license offices to review for the next fiscal year, the CIB prepares a Contract Office Risk Assessment form for the contract license offices which weighs criteria such as new agent, field coordinator issues, late deposit penalties, and inventory charges. However, the risk assessment does not take into consideration fraud risk factors. While not specially applicable to ICB reviews, *Government Auditing Standards*, issued by the U.S. Government Accountability Office, define fraud as the risk of intentional misstatement or omissions of amounts in financial records or material loss from misappropriation of assets. Given the large amount of cash collections handled by contract license offices, some type of fraud risk assessment appears to be warranted.

To adequately address fraud risk factors the CIB should evaluate the opportunities, incentives/pressures, and attitudes/rationalizations which exist that could allow fraud to occur in the contract license offices. Including fraud risk factors in the risk assessment of contract license offices will provide significant information when the LOB evaluates which contract license offices to review.

#### 3.3 Follow-up

Neither the CIB nor the LOB have established criteria, policies, and procedures to determine when a follow-up review of contract license offices should be done. As a result, follow-up reviews of some offices with



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significant issues were not performed. In addition, the LOB does not require the field coordinators to formally follow-up on findings during their monthly monitoring visits of the contract license offices.

A follow-up review determines whether corrective action has been taken or if previous problems continue to exist. Although the CIB issued three follow-up reviews during fiscal years 2010 and 2011, we noted follow-up reviews were not performed for some offices with significant findings. For example:

- A report issued in May 2009 reported receipts were not handled appropriately and deposited intact, resulting in a shortage of over \$8,000.
- Two reports, issued in June and August 2009, reported receipts were not handled appropriately and deposited intact, resulting in instances of check lapping. Check lapping is when cash or checks are withheld from a daily deposit and substituted with subsequent receipts (e.g., from the next day's collection).

Also, although the LOB receives CIB contract license office reports, the LOB has also not established policies and procedures requiring the field coordinators to formally follow-up on significant/critical findings.

Conducting timely reviews and establishing follow-up procedures for significant issues would help the DOR evaluate whether agent contracts should be extended and whether corrective action has been taken.

## Recommendations

The DOR:

- 3.1 Develop a formal review schedule for contract license offices which identifies the optimum number of offices to review each year. The DOR should strive to review each contract license offices at least once during the term of the contract.
- 3.2 Include fraud risk factors in the risk assessment evaluations of contract license offices.
- 3.3 Establish criteria, policies, and procedures regarding when follow-up reviews should be performed.

## Auditee's Response

- 3.1 *A procedure was implemented July 1, 2011 to review 48 license offices each year to ensure that all 183 license offices are reviewed at least once during the maximum length of a contract, or more frequently. The Compliance and Investigation Bureau will continue to conduct a risk assessment annually or more frequently, to help*



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Management Advisory Report - State Auditor's Findings

*determine the order in which license offices should be scheduled for audit and the frequency of audit.*

3.2 *The Department's current risk assessment practices include identification of fraud risk factors, which are demonstrably effective. Ongoing review of data and identification of appropriate fraud risk factors is important, and the Department will continue to do so in partnership with local, state and federal law enforcement partners.*

3.3 *As of April 2011, the Department's field coordinators specifically follow up on all internal audit findings. The Department will place its procedures for follow-up in written format.*

## **4. Fraudulent Document Training**

The DOR has not required contract license office personnel to attend fraudulent document training.

Although the DOR does not require contract license office personnel to attend fraudulent document training, the DOR makes fraudulent document training available to contract license offices. However, the DOR does require DOR employees working in the state operated license office in Jefferson City to attend the fraudulent document training. Currently, the DOR provides training through the DOR Intranet, via online courses. These online courses, are provided by the American Association of Motor Vehicle Administrators (AAMVA). The course training topics include an introduction to fraud, title and vehicle identification documents, birth certificates, driver's licenses and identification cards, social security cards, and an advance knowledge of security features.

Before the AAMVA training was available online, DOR personnel taught training if requested by contract license offices. Also, according to DOR personnel, fraudulent document recognition, suspected fraud, and security of personal information was the focus of the driver license portion of regional meetings for contract license offices in 2010. However, during the 3 years ended June 30, 2011, less than 20 percent of the 183 contract license offices provided the AAMVA fraudulent document recognition training to its personnel.

In January 2012, a federal grand jury indicted several individuals in connection with a \$5 million fraudulent identity scheme in which approximately 3,500 licenses were issued by the St. Joseph Contract License Office. Also, in February 2012 an employee of the Bridgeton Contract License Office was indicted for providing fraudulent documents to undocumented aliens.



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Department of Revenue  
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Management Advisory Report - State Auditor's Findings

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Given the detection of recent schemes involving contract license offices, the DOR needs to require fee offices to provide fraudulent document training to personnel.

## Recommendation

The DOR require all contract license offices to provide fraudulent document recognition training to personnel.

## Auditee's Response

*The Department employs a variety of methods to detect and prevent fraud, including training for license office personnel, and other methods developed in partnership with local, state and federal law enforcement authorities. The Department will continue to evaluate these methods, including provisions of the most appropriate types of training. In light of the investigation and prosecution in the ongoing case that is mentioned in the findings, it is inappropriate to comment on specific plans.*

Appendix A

Department of Revenue  
Contract License Office Collections

Office	Year Ended June 30,								
	2011			2010			2009		
	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections
Aftton	\$ 175,057	7,712,772	7,887,829	183,364	6,170,871	6,354,235	177,278	6,815,753	6,993,031
Alton	10,509	458,455	468,964	12,823	405,423	418,246	12,255	453,480	465,735
Arnold	111,792	4,796,268	4,908,060	158,270	4,856,087	5,014,357	127,587	4,621,868	4,749,455
Aurora	39,837	1,667,256	1,707,093	52,486	1,650,512	1,702,998	44,802	1,653,587	1,698,389
Ava	38,879	1,254,684	1,293,563	47,821	1,231,314	1,279,135	43,447	1,270,934	1,314,381
Belton	159,442	8,156,978	8,316,420	189,828	7,739,630	7,929,458	171,020	7,901,526	8,072,546
Bethany	28,453	1,318,146	1,346,599	35,077	1,196,716	1,231,793	28,445	1,106,622	1,135,067
Blue Springs	231,648	11,205,107	11,436,755	258,680	10,381,456	10,640,136	256,098	10,909,364	11,165,462
Bolivar	84,052	2,835,591	2,919,643	99,331	2,715,097	2,814,428	88,690	2,772,603	2,861,293
Bonne Terre	70,898	2,908,264	2,979,162	78,475	2,687,470	2,765,945	70,459	2,015,392	2,085,851
Boonville	51,756	2,426,825	2,478,581	65,328	2,250,854	2,316,182	55,056	2,255,388	2,310,444
Bowling Green	21,700	1,019,332	1,041,032	41,135	1,476,166	1,517,301	35,879	1,368,789	1,404,668
Branson	128,716	4,305,615	4,434,331	136,530	3,921,959	4,058,489	139,182	4,286,877	4,426,059
Bridgeton	154,276	6,642,624	6,796,900	194,718	5,972,185	6,166,903	152,549	5,732,919	5,885,468
Brookfield	37,239	1,763,648	1,800,887	49,014	5,402,126	5,451,140	40,480	1,793,383	1,833,863
Buffalo	47,247	1,709,916	1,757,163	57,865	1,691,372	1,749,237	50,511	1,689,868	1,740,379
Butler	40,208	2,196,788	2,236,996	52,307	2,025,443	2,077,750	49,018	2,189,305	2,238,323
Cabool	13,461	475,010	488,471	25,809	835,725	861,534	13,318	451,253	464,571
California	29,769	1,698,298	1,728,067	37,682	1,473,870	1,511,552	35,065	1,519,110	1,554,175
Camdenton	109,626	5,521,875	5,631,501	138,803	5,628,137	5,766,940	124,866	5,559,765	5,684,631
Cameron	45,387	1,992,229	2,037,616	50,922	1,820,933	1,871,855	44,751	1,773,082	1,817,833
Cape Girardeau	149,765	5,670,360	5,820,125	169,824	5,155,502	5,325,326	155,018	5,444,791	5,599,809
Carrollton	25,352	1,485,748	1,511,100	33,168	1,499,448	1,532,616	27,849	1,427,859	1,455,708
Carthage	96,298	4,882,834	4,979,132	117,565	4,325,784	4,443,349	102,907	4,329,120	4,432,027
Caruthersville	46,173	2,065,201	2,111,374	53,924	1,929,124	1,983,048	50,492	1,965,579	2,016,071
Cassville	63,980	2,774,694	2,838,674	76,213	2,707,214	2,783,427	67,102	2,659,916	2,727,018
Chaffee	41,635	2,270,817	2,312,452	50,519	1,904,843	1,955,362	45,321	2,124,749	2,170,070
Charleston	35,506	1,795,088	1,830,594	41,453	1,673,659	1,715,112	39,816	1,708,931	1,748,747
Chesterfield	169,716	13,183,119	13,352,835	210,028	11,892,253	12,102,281	193,700	12,051,509	12,245,209
Chillicothe	50,497	2,172,812	2,223,309	62,344	1,980,972	2,043,316	54,175	2,002,130	2,056,305
Clayton	165,401	13,057,610	13,223,011	186,213	10,807,254	10,993,467	180,874	11,089,517	11,270,391



Appendix A

Department of Revenue  
Contract License Office Collections

Office	Year Ended June 30,								
	2011			2010			2009		
	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections
Clinton	65,450	2,933,370	2,998,820	81,231	2,584,845	2,666,076	72,737	2,865,670	2,938,407
Columbia	482,000	18,178,289	18,660,289	526,968	16,234,217	16,761,185	491,702	16,807,453	17,299,155
Crane	16,174	833,534	849,708	21,468	869,885	891,353	20,124	765,392	785,516
Creve Coeur	135,094	8,466,618	8,601,712	191,203	8,247,972	8,439,175	175,610	8,707,215	8,882,825
Cuba	41,091	1,500,015	1,541,106	56,269	1,404,545	1,460,814	48,487	1,464,600	1,513,087
Deer Creek (St. Louis)	311,415	11,757,968	12,069,383	382,356	11,291,729	11,674,085	338,122	11,130,455	11,468,577
De Soto	74,491	3,160,764	3,235,255	86,570	3,013,245	3,099,815	80,395	3,031,656	3,112,051
Des Peres	174,207	11,871,478	12,045,685	215,330	10,804,798	11,020,128	197,788	11,035,515	11,233,303
Dexter	71,125	3,737,408	3,808,533	85,984	3,317,945	3,403,929	76,180	3,465,689	3,541,869
Doniphan	40,637	1,827,075	1,867,712	40,239	1,557,484	1,597,723	47,565	1,510,012	1,557,577
Downtown (St. Louis)	149,639	8,188,876	8,338,515	155,697	7,879,861	8,035,558	165,640	7,639,495	7,805,135
Edina	12,838	782,820	795,658	17,383	804,727	822,110	14,389	732,797	747,186
Eldon	75,005	3,609,563	3,684,568	70,734	2,538,067	2,608,801	81,071	3,273,019	3,354,090
Ellington	13,186	640,766	653,952	18,109	591,304	609,413	15,267	603,638	618,905
Elsberry	9,650	458,724	468,374	2,698	116,762	119,460	12,217	423,149	435,366
Eminence	14,227	520,140	534,367	17,437	526,145	543,582	16,072	565,409	581,481
Excelsior Springs	85,179	3,823,195	3,908,374	96,895	3,390,127	3,487,022	89,812	3,643,403	3,733,215
Farmington	122,106	5,142,052	5,264,158	133,332	4,776,062	4,909,394	131,767	4,782,522	4,914,289
Fayette	18,324	846,509	864,833	19,161	691,448	710,609	18,251	782,389	800,640
Ferguson	175,570	5,271,549	5,447,119	192,314	5,733,247	5,925,561	188,089	5,184,356	5,372,445
Florissant	333,431	12,041,462	12,374,893	368,434	10,839,613	11,208,047	370,626	11,683,403	12,054,029
Forsyth	37,682	1,805,232	1,842,914	46,514	1,953,691	2,000,205	42,554	1,772,633	1,815,187
Fredericktown	37,679	1,385,650	1,423,329	45,969	1,421,858	1,467,827	42,128	1,462,305	1,504,433
Fulton	71,718	3,259,956	3,331,674	97,531	3,167,341	3,264,872	81,780	3,025,500	3,107,280
Gainesville	23,141	837,623	860,764	25,955	825,751	851,706	23,014	896,428	919,442
Gallatin	8,647	427,645	436,292	23,794	904,396	928,190	22,105	816,570	838,675
Gladstone	277,694	9,738,144	10,015,838	335,210	9,815,278	10,150,488	283,819	9,048,911	9,332,730
Glenstone (Springfield)	262,978	8,573,918	8,836,896	327,791	8,483,200	8,810,991	274,976	8,295,987	8,570,963
Grandview	233,065	8,871,450	9,104,515	281,870	9,594,685	9,876,555	254,729	8,953,482	9,208,211
Grant City	4,869	279,187	284,056	6,721	213,572	220,293	5,696	236,976	242,672
Greenfield	20,736	852,254	872,990	22,584	793,544	816,128	22,418	793,255	815,673

Appendix A

Department of Revenue  
Contract License Office Collections

Office	Year Ended June 30,								
	2011			2010			2009		
	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections
Hannibal	70,818	2,736,581	2,807,399	73,293	2,556,926	2,630,219	74,317	2,596,016	2,670,333
Harrisonville	126,025	5,022,499	5,148,524	146,366	4,500,530	4,646,896	135,372	4,508,346	4,643,718
Hartville	20,080	639,902	659,982	25,816	678,397	704,213	22,272	622,210	644,482
Harvester (St. Charles County)	234,063	13,749,702	13,983,765	308,254	12,712,093	13,020,347	276,364	13,042,999	13,319,363
Hermann	24,875	1,194,269	1,219,144	31,013	1,175,971	1,206,984	28,312	1,221,030	1,249,342
Hermitage	26,060	1,139,583	1,165,643	33,504	1,145,569	1,179,073	29,909	1,235,458	1,265,367
High Ridge	174,293	7,810,521	7,984,814	216,814	7,379,530	7,596,344	197,313	7,309,359	7,506,672
Houston	31,109	1,110,436	1,141,545	38,309	1,184,046	1,222,355	31,944	1,103,101	1,135,045
Imperial	160,016	7,620,534	7,780,550	176,991	6,826,717	7,003,708	175,431	7,206,315	7,381,746
Independence	372,266	9,729,717	10,101,983	445,915	10,025,408	10,471,323	407,248	9,192,470	9,599,718
Ironton	27,892	1,137,806	1,165,698	36,417	1,158,342	1,194,759	31,863	1,181,394	1,213,257
Jackson	87,535	4,764,494	4,852,029	99,668	3,787,270	3,886,938	90,186	4,066,549	4,156,735
Jefferson City	268,783	11,990,508	12,259,291	334,732	11,308,804	11,643,536	297,691	11,477,691	11,775,382
Joplin	329,745	11,138,732	11,468,477	387,707	10,663,260	11,050,967	363,684	10,744,124	11,107,808
Kahoka	20,389	1,062,215	1,082,604	26,033	915,309	941,342	22,874	960,947	983,821
Kansas City - Fletcher Daniels Building	410,705	7,173,877	7,584,582	441,874	9,440,539	9,882,413	412,773	7,571,371	7,984,144
Kennett	61,554	2,475,502	2,537,056	68,389	2,231,666	2,300,055	67,355	2,396,754	2,464,109
Keytesville	15,058	1,001,474	1,016,532	17,161	740,610	757,771	15,376	851,997	867,373
Kingston	18,260	898,586	916,846	23,375	922,057	945,432	18,378	867,035	885,413
Kirksville	83,883	2,725,169	2,809,052	102,051	2,438,899	2,540,950	88,002	2,568,512	2,656,514
Lakeview - Branson West	55,400	2,666,640	2,722,040	68,398	2,830,662	2,899,060	60,751	2,824,144	2,884,895
Lamar	36,648	1,777,169	1,813,817	46,348	1,689,300	1,735,648	45,424	1,766,906	1,812,330
Lancaster	7,279	316,730	324,009	12,018	460,957	472,975	11,415	445,714	457,129
Lebanon	112,057	4,118,048	4,230,105	130,340	3,658,354	3,788,694	122,134	3,816,408	3,938,542
Lee's Summit	329,846	15,001,086	15,330,932	394,211	14,407,937	14,802,148	355,346	14,270,952	14,626,298
Lexington	56,472	3,146,943	3,203,415	69,312	3,396,618	3,465,930	64,251	3,131,736	3,195,987
Liberty	240,183	12,170,527	12,410,710	278,250	14,147,334	14,425,584	252,868	13,889,618	14,142,486
Licking	20,216	900,659	920,875	23,826	751,976	775,802	22,695	833,163	855,858
Linn	20,728	1,134,693	1,155,421	26,288	1,039,922	1,066,210	24,168	1,085,026	1,109,194
Louisiana	20,356	1,046,885	1,067,241	20,297	837,904	858,201	17,015	722,813	739,828
Macon	39,786	1,944,855	1,984,641	50,231	1,797,337	1,847,568	46,113	1,834,171	1,880,284

Appendix A

Department of Revenue  
Contract License Office Collections

Office	Year Ended June 30,								
	2011			2010			2009		
	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections
Malden	51,443	2,047,028	2,098,471	61,416	1,738,758	1,800,174	54,043	1,789,723	1,843,766
Marble Hill	20,066	929,976	950,042	31,995	1,214,636	1,246,631	31,495	1,271,745	1,303,240
Marshall	66,069	3,010,761	3,076,830	79,540	2,804,748	2,884,288	71,479	2,748,389	2,819,868
Marshfield	86,859	3,589,711	3,676,570	104,278	3,363,985	3,468,263	94,934	3,513,694	3,608,628
Maryville	56,725	2,506,581	2,563,306	65,433	2,386,391	2,451,824	60,459	2,369,437	2,429,896
Maysville	14,778	616,649	631,427	11,274	434,154	445,428	12,648	538,806	551,454
Memphis	13,838	746,512	760,350	15,946	644,556	660,502	15,186	619,682	634,868
Mexico	64,700	3,122,426	3,187,126	55,269	1,946,075	2,001,344	72,317	2,743,457	2,815,774
Milan	15,288	848,739	864,027	19,793	726,005	745,798	18,599	693,560	712,159
Moberly	73,992	3,281,473	3,355,465	98,504	3,282,134	3,380,638	86,491	3,108,719	3,195,210
Monett	52,572	2,009,408	2,061,980	62,222	2,055,448	2,117,670	56,135	1,959,970	2,016,105
Monroe City	15,504	912,258	927,762	20,459	785,784	806,243	18,519	843,223	861,742
Montgomery City	31,569	1,400,902	1,432,471	40,509	1,312,135	1,352,644	31,249	1,191,366	1,222,615
Monticello	22,375	1,198,882	1,221,257	27,291	1,185,043	1,212,334	25,570	1,213,980	1,239,550
Mound City	14,330	1,053,818	1,068,148	18,602	1,004,206	1,022,808	15,072	1,062,698	1,077,770
Mount Vernon	38,104	1,548,466	1,586,570	48,500	1,506,050	1,554,550	42,227	1,576,323	1,618,550
Mountain Grove	42,769	1,540,563	1,583,332	40,608	1,236,382	1,276,990	44,807	1,472,154	1,516,961
Mountain View	26,955	1,038,304	1,065,259	31,872	992,682	1,024,554	28,680	1,025,694	1,054,374
Neosho	103,854	4,232,422	4,336,276	105,015	3,707,263	3,812,278	104,760	3,720,050	3,824,810
Nevada	68,515	2,602,203	2,670,718	78,233	2,353,033	2,431,266	65,085	2,289,482	2,354,567
New London	25,012	1,413,174	1,438,186	32,223	1,512,192	1,544,415	25,282	1,411,113	1,436,395
New Madrid	47,781	1,719,438	1,767,219	32,993	1,585,946	1,618,939	32,729	1,595,630	1,628,359
Nixa	108,877	4,330,906	4,439,783	124,640	4,338,797	4,463,437	115,298	4,167,648	4,282,946
North County (St. Louis)	295,239	6,625,871	6,921,110	377,474	7,863,151	8,240,625	294,107	5,972,960	6,267,067
North Kansas City	233,643	9,152,593	9,386,236	277,017	8,882,351	9,159,368	261,456	8,677,743	8,939,199
Northside (St. Louis)	182,138	1,828,682	2,010,820	264,663	1,902,142	2,166,805	216,615	2,088,815	2,305,430
Oakville	176,117	6,978,389	7,154,506	178,752	5,978,741	6,157,493	170,012	6,356,469	6,526,481
O'Fallon	261,443	14,843,480	15,104,923	275,080	12,382,882	12,657,962	257,940	12,687,138	12,945,078
Olivette	168,346	8,368,434	8,536,780	182,126	7,321,303	7,503,429	174,424	7,784,006	7,958,430
Osceola	16,966	807,282	824,248	23,794	790,865	814,659	20,861	808,243	829,104
Overland	87,230	3,202,029	3,289,259	127,482	3,503,687	3,631,169	114,163	3,425,153	3,539,316

Appendix A

Department of Revenue  
Contract License Office Collections

Office	Year Ended June 30,								
	2011			2010			2009		
	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections
Owensville	36,528	1,604,679	1,641,207	45,364	1,546,532	1,591,896	42,016	1,613,176	1,655,192
Ozark	100,383	4,504,457	4,604,840	114,846	4,284,871	4,399,717	103,330	4,135,930	4,239,260
Pacific	76,170	4,050,948	4,127,118	96,752	4,202,652	4,299,404	87,695	3,886,666	3,974,361
Palmyra	29,684	1,190,291	1,219,975	42,287	1,325,469	1,367,756	35,890	1,255,521	1,291,411
Paris	11,977	743,912	755,889	20,191	990,154	1,010,345	14,842	806,188	821,030
Parkville	172,149	10,842,788	11,014,937	178,797	6,918,059	7,096,856	181,498	7,560,635	7,742,133
Perryville	53,408	2,686,486	2,739,894	63,958	2,409,903	2,473,861	58,907	2,679,167	2,738,074
Piedmont - Greenville	26,836	1,117,429	1,144,265	33,702	1,133,257	1,166,959	29,699	1,163,518	1,193,217
Pineville	46,033	1,990,247	2,036,280	62,917	2,279,806	2,342,723	50,337	1,560,209	1,610,546
Platte City	92,512	4,960,881	5,053,393	106,374	4,869,765	4,976,139	94,214	4,693,473	4,787,687
Plattsburg	40,349	1,856,616	1,896,965	46,445	1,681,452	1,727,897	41,857	1,716,173	1,758,030
Poplar Bluff	135,179	5,139,608	5,274,787	157,493	4,989,206	5,146,699	149,712	5,261,851	5,411,563
Potosi	41,221	1,505,698	1,546,919	71,105	2,168,250	2,239,355	64,941	1,992,132	2,057,073
Princeton	11,152	666,932	678,084	14,656	546,282	560,938	13,149	527,499	540,648
Raytown	453,383	15,506,038	15,959,421	502,500	12,343,358	12,845,858	469,059	13,537,660	14,006,719
Republic	129,248	5,544,722	5,673,970	158,252	5,753,245	5,911,497	140,532	20,224,795	20,365,327
Richmond	42,993	1,991,195	2,034,188	55,666	2,008,818	2,064,484	47,880	1,945,496	1,993,376
Rock Port	18,897	1,102,027	1,120,924	19,771	1,097,331	1,117,102	19,120	1,098,437	1,117,557
Rolla	138,063	4,707,786	4,845,849	158,852	4,368,773	4,527,625	148,153	4,566,681	4,714,834
Salem	40,645	1,678,527	1,719,172	50,178	1,576,641	1,626,819	45,360	1,596,210	1,641,570
Sarcoxi	9,312	418,390	427,702	12,245	449,819	462,064	11,084	421,000	432,084
Savannah	49,223	3,156,469	3,205,692	68,504	3,204,438	3,272,942	58,216	3,096,454	3,154,670
Sedalia	149,866	6,018,251	6,168,117	175,226	5,628,753	5,803,979	161,253	5,792,724	5,953,977
Shelbina	18,985	1,069,897	1,088,882	23,528	1,006,019	1,029,547	22,248	974,846	997,094
Sikeston - Miner	97,007	4,217,469	4,314,476	113,761	3,794,216	3,907,977	103,290	3,995,269	4,098,559
South County (St. Louis)	247,813	13,566,423	13,814,236	306,778	11,977,692	12,284,470	270,461	12,203,322	12,473,783
South Fremont (Springfield)	340,119	15,059,757	15,399,876	356,985	13,090,925	13,447,910	355,480	13,775,744	14,131,224
South Kingshighway (St. Louis)	339,485	6,798,895	7,138,380	410,112	6,586,826	6,996,938	392,972	6,199,642	6,592,614
Springfield - Landers State Office Building	305,818	3,715,796	4,021,614	287,224	3,552,310	3,839,534	282,758	3,367,512	3,650,270
St. Charles	368,652	12,932,634	13,301,286	387,259	11,948,804	12,336,063	373,136	12,196,122	12,569,258
St. Clair	48,806	1,801,402	1,850,208	59,807	1,756,703	1,816,510	55,313	1,829,855	1,885,168

Appendix A

Department of Revenue  
Contract License Office Collections

Office	Year Ended June 30,								
	2011			2010			2009		
	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections	Drivers License	Motor Vehicle	Total Collections
St. Joseph	293,115	10,046,993	10,340,108	309,494	9,166,621	9,476,115	290,140	9,404,049	9,694,189
Stanberry	18,655	989,004	1,007,659	26,032	965,485	991,517	22,813	911,866	934,679
Ste. Genevieve	38,165	2,152,861	2,191,026	47,339	1,997,685	2,045,024	44,491	2,068,837	2,113,328
Steelville	21,223	827,548	848,771	24,940	793,835	818,775	24,745	750,063	774,808
Stockton	30,973	1,322,794	1,353,767	34,929	1,256,919	1,291,848	34,415	1,291,585	1,326,000
Sugar Creek	132,834	5,887,075	6,019,909	143,866	4,684,052	4,827,918	141,630	5,132,092	5,273,722
Sullivan	51,443	2,181,070	2,232,513	60,212	2,174,733	2,234,945	53,768	2,068,097	2,121,865
Thayer	14,980	562,056	577,036	18,668	528,471	547,139	17,363	542,898	560,261
Trenton	32,212	1,419,081	1,451,293	37,983	1,298,810	1,336,793	32,850	1,310,359	1,343,209
Troy	136,472	5,946,317	6,082,789	168,164	6,137,075	6,305,239	151,106	5,849,088	6,000,194
Twin City (Jefferson County)	124,758	5,492,782	5,617,540	151,327	5,199,486	5,350,813	136,340	5,297,123	5,433,463
Union	83,114	3,579,600	3,662,714	104,952	3,332,359	3,437,311	92,682	3,320,214	3,412,896
Unionville	15,041	684,016	699,057	19,153	664,876	684,029	16,586	620,995	637,581
Van Buren	14,186	644,422	658,608	15,668	687,985	703,653	15,555	652,132	667,687
Vandalia	10,224	640,077	650,301	12,244	525,589	537,833	11,341	490,101	501,442
Versailles	44,920	2,231,119	2,276,039	66,673	2,457,993	2,524,666	52,427	2,279,033	2,331,460
Viburnum	6,411	403,708	410,119	7,701	367,733	375,434	6,909	342,314	349,223
Vienna	22,018	1,211,825	1,233,843	25,520	1,049,921	1,075,441	23,930	1,103,414	1,127,344
Warrensburg	143,325	6,268,289	6,411,614	157,054	5,479,035	5,636,089	145,908	5,801,311	5,947,219
Warrenton	72,755	3,178,741	3,251,496	96,149	3,239,435	3,335,584	86,103	3,234,356	3,320,459
Warsaw	46,259	2,366,805	2,413,064	57,769	2,263,806	2,321,575	51,463	2,311,244	2,362,707
Washington	85,873	3,984,251	4,070,124	104,490	3,827,411	3,931,901	94,927	3,692,709	3,787,636
Waynesville	119,914	5,918,811	6,038,725	133,986	5,414,519	5,548,505	126,418	5,741,091	5,867,509
Wentzville	152,133	9,150,796	9,302,929	179,954	7,991,325	8,171,279	163,014	8,056,272	8,219,286
West County (St. Louis)	223,677	11,099,271	11,322,948	260,890	9,038,128	9,299,018	230,956	9,830,130	10,061,086
West Plains	95,932	3,415,446	3,511,378	115,443	3,248,711	3,364,154	100,515	3,366,573	3,467,088
Westside (St. Louis)	111,469	3,372,996	3,484,465	123,253	3,503,632	3,626,885	113,411	3,372,624	3,486,035
Willow Springs	18,525	617,964	636,489	17,618	390,407	408,025	22,205	611,417	633,622
Total	\$ 17,691,302	737,643,268	755,334,570	20,750,480	694,524,878	715,275,358	19,053,039	709,541,546	728,594,585

Appendix B-1

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2011

Office	Agent Fees Retained (1)	Return to State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Affton	\$ 307,904	\$ 24,607	8.00	\$ 0
Alton	32,658	0	0.00	100
Arnold	181,318	0	0.00	0
Aurora	84,767	907	1.10	100
Ava	77,289	1,547	2.00	50
Belton	293,591	7,018	3.00	0
Bethany	62,094	0	0.00	0
Blue Springs	396,589	11,894	3.00	0
Bolivar	158,629	793	0.50	0
Bonne Terre	145,942	5,838	4.00	0
Boonville	107,086	1,071	1.00	0
Bowling Green	41,971	1,004	3.00	600
Branson	268,986	4,039	1.50	0
Bridgeton	256,920	12,848	5.00	0
Brookfield	85,860	1,288	1.50	0
Buffalo	100,038	718	0.75	0
Butler	98,471	2,954	3.00	100
Cabool	28,530	0	0.00	0
California	72,592	1,452	2.00	0
Camdenton	241,099	15,003	6.00	0
Cameron	87,325	437	0.50	0
Cape Girardeau	232,350	4,630	2.00	0
Carrollton	58,731	59	0.10	0
Carthage	238,949	11,952	5.00	0
Caruthersville	91,618	2,751	3.00	0
Cassville	144,887	1,449	1.00	0
Chaffee	102,263	5,111	5.00	0
Charleston	69,816	4,890	7.00	50
Chesterfield	321,743	9,653	3.00	0
Chillicothe	101,292	0	0.00	0
Clayton	341,654	27,329	8.00	0
Clinton	138,791	1,388	1.00	50
Columbia	703,102	7,032	1.00	0
Crane	44,592	223	0.50	0
Creve Coeur	261,474	7,848	3.00	0

Appendix B-1

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2011

Office	Agent Fees Retained (1)	Return to State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Cuba	77,136	1,541	2.00	100
Deer Creek (St. Louis)	418,222	0	0.00	100
De Soto	146,780	0	0.00	0
Des Peres	316,224	15,812	5.00	50
Dexter	156,946	3,139	2.00	0
Doniphan	100,992	0	0.00	0
Downtown (St. Louis)	279,890	0	0.00	100
Edina	33,378	0	0.00	0
Eldon	167,541	0	0.00	0
Ellington	34,991	0	0.00	100
Elsberry	22,134	11	0.05	0
Eminence	36,323	1,090	3.00	0
Excelsior Springs	165,380	826	0.50	0
Farmington	242,752	12,141	5.00	0
Fayette	35,493	0	0.00	0
Ferguson	239,966	1,199	0.50	0
Florissant	482,526	4,824	1.00	0
Forsyth	94,281	0	0.00	0
Fredericktown	72,154	1,443	2.00	0
Fulton	146,297	2,924	2.00	0
Gainesville	50,488	0	0.00	0
Gallatin	19,058	38	1.00	50
Gladstone	410,847	9,287	2.00	150
Glenstone (Springfield)	417,433	41,833	10.00	0
Grandview	349,123	0	0.00	0
Grant City	12,173	0	0.00	50
Greenfield	46,023	423	1.00	0
Hannibal	110,434	2,211	2.00	0
Harrisonville	216,646	10,837	5.00	0
Hartville	40,057	0	0.00	0
Harvester (St. Charles County)	461,771	27,695	6.00	0
Hermann	54,395	0	0.00	0
Hermitage	70,445	0	0.00	0
High Ridge	322,149	6,446	2.00	50
Houston	64,793	324	0.50	0

Appendix B-1

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2011

Office	Agent Fees Retained (1)	Return to State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Imperial	289,341	14,466	5.00	750
Independence	427,169	14,942	3.50	50
Ironton	62,456	624	1.00	100
Jackson	201,271	10,065	5.00	0
Jefferson City	480,915	48	0.01	0
Joplin	498,222	34,908	7.00	100
Kahoka	47,933	0	0.00	0
Kansas City - Fletcher Daniels Building	350,804	0	0.00	0
Kennett	123,459	9,268	7.50	0
Keytesville	40,552	0	0.00	0
Kingston	41,447	50	0.12	50
Kirksville	139,329	2,847	3.00	0
Lakeview - Branson West	122,073	2,442	2.00	0
Lamar	81,896	819	1.00	0
Lancaster	16,359	0	0.00	0
Lebanon	219,321	8,649	4.00	0
Lee's Summit	498,101	29,449	5.00	0
Lexington	126,957	2,538	2.00	50
Liberty	417,765	25,244	6.00	0
Licking	49,805	0	0.00	0
Linn	49,269	0	0.00	50
Louisiana	51,392	0	0.00	0
Macon	86,969	870	1.00	0
Malden	95,019	0	0.00	0
Marble Hill	47,018	940	2.00	100
Marshall	124,048	621	0.50	0
Marshfield	174,556	8,349	5.00	0
Maryville	104,599	0	0.00	0
Maysville	29,258	0	0.00	0
Memphis	33,945	0	0.00	0
Mexico	128,846	3,870	3.00	0
Milan	39,155	0	0.00	0
Moberly	151,899	4,558	3.00	0
Monett	108,814	0	0.00	0
Monroe City	37,477	0	0.00	0



Appendix B-1

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2011

Office	Agent Fees Retained (1)	Return to State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Montgomery City	62,873	0	0.00	0
Monticello	49,739	0	0.00	0
Mound City	35,137	0	0.00	0
Mount Vernon	79,179	792	1.00	0
Mountain Grove	85,395	426	0.50	0
Mountain View	61,161	0	0.00	0
Neosho	205,293	0	0.00	0
Nevada	129,583	6,481	5.00	0
New London	63,245	0	0.00	0
New Madrid	63,924	1,278	2.00	0
Nixa	192,851	9,646	5.00	100
North County (St. Louis)	342,091	45,677	14.05	100
North Kansas City	335,342	22,678	7.00	0
Northside (St. Louis)	164,416	0	0.00	0
Oakville	265,936	13,303	5.00	50
O'Fallon	460,660	39,148	8.50	0
Olivette	309,657	20,257	7.00	0
Osceola	47,596	476	1.00	0
Overland	142,624	5,710	4.00	0
Owensville	85,354	0	0.00	0
Ozark	202,593	12,162	6.00	0
Pacific	163,011	0	0.00	0
Palmyra	46,741	468	1.00	350
Paris	33,197	0	0.00	0
Parkville	365,192	7,303	2.00	0
Perryville	117,112	2,341	2.00	0
Piedmont - Greenville	63,034	630	1.00	0
Pineville	97,374	0	0.00	250
Platte City	226,369	4,524	2.00	450
Plattsburg	80,962	1,215	1.50	0
Poplar Bluff	255,718	12,796	5.00	50
Potosi	76,645	1,047	1.00	3,800
Princeton	24,599	0	0.00	50
Raytown	568,569	41,288	6.00	0
Republic	279,008	16,201	6.00	0

Appendix B-1

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2011

Office	Agent Fees Retained (1)	Return to State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Richmond	84,621	2,541	3.00	0
Rock Port	37,654	187	0.50	50
Rolla	237,250	17,818	7.50	0
Salem	93,213	933	1.00	0
Sarcoxie	24,414	0	0.00	0
Savannah	110,033	0	0.00	0
Sedalia	271,873	13,915	5.00	0
Shelbina	40,700	0	0.00	0
Sikeston - Miner	167,756	11,751	7.00	0
South County (St. Louis)	441,961	35,359	8.00	0
South Fremont (Springfield)	620,978	73,423	13.60	150
South Kingshighway (St. Louis)	376,370	19,658	5.20	0
Springfield - Landers State Office Building	245,454	14,820	6.00	0
St. Charles	541,615	18,956	3.50	0
St. Clair	87,952	0	0.00	0
St. Joseph	433,248	29,892	5.00	0
Stanberry	42,261	0	0.00	0
Ste. Genevieve	88,111	0	0.00	0
Steelville	44,785	313	0.75	50
Stockton	70,456	0	0.00	0
Sugar Creek	282,965	12,008	5.00	0
Sullivan	97,751	0	0.00	0
Thayer	32,685	0	0.00	0
Trenton	64,446	0	0.00	0
Troy	259,896	0	0.00	0
Twin City (Jefferson County)	221,781	0	0.00	0
Union	157,024	0	0.00	0
Unionville	34,081	0	0.00	0
Van Buren	36,918	0	0.00	0
Vandalia	25,065	0	0.00	0
Versailles	109,675	0	0.00	0
Viburnum	18,107	0	0.00	0
Vienna	56,740	0	0.00	50
Warrensburg	256,442	7,705	3.00	0
Warrenton	147,211	7,362	5.00	0

## Appendix B-1

### Department of Revenue

#### Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2011

Office	Agent Fees Retained (1)	Return to State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Warsaw	115,320	576	0.50	0
Washington	158,755	0	0.00	0
Waynesville	227,941	11,407	5.00	0
Wentzville	365,557	18,286	5.00	0
West County (St. Louis)	359,459	17,593	5.00	0
West Plains	185,975	1,860	1.00	0
Westside (St. Louis)	130,435	6,503	5.00	0
Willow Springs	37,085	93	0.25	0
Total	<u>\$ 30,617,800</u>	<u>\$ 1,086,150</u>		<u>\$ 8,550</u>

(1) The Department of Revenue estimates the agent fees based on the number of driver license and motor vehicle transactions processed by the office.

(2) The agent fees retained multiplied by the return percentage may not equal the return to the state. This is due to the timing of the effective date of the contract and any subsequent renewal and/or change of the contract agent.

(3) Liquidated damages are assessed for noncompliance with contract terms for reasons such as failure to enter a Notice of Lein information daily or to attend required training, shipment not received within 10 business days, rejection rate over 2 percent, and transactions performed by unauthorized persons.

During the year ended June 30, 2011, liquidated damages, totaling \$8,700, were received by the state. The difference between the damages assessed and received includes timing differences and assessed damages which are forgiven for reasons including, but not limited to, weather related closures and bank and courier service errors.

Appendix B-2

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2010

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Aftton	\$ 300,017	\$ 13,786	8.00	\$ 0
Alton	32,391	0	0.00	0
Arnold	185,966	0	0.00	0
Aurora	85,982	604	1.00	600
Ava	84,482	1,193	2.00	150
Belton	295,803	1,883	1.00	0
Bethany	55,623	0	0.00	400
Blue Springs	416,550	7,786	3.00	0
Bolivar	163,709	818	0.50	0
Bonne Terre	134,256	3,688	4.00	0
Boonville	104,705	678	1.00	0
Bowling Green	62,584	974	2.00	1,300
Branson	283,497	2,227	1.50	0
Bridgeton	225,278	4,613	5.00	200
Brookfield	87,016	1,126	1.50	100
Buffalo	101,960	439	0.50	0
Butler	101,644	2,509	3.00	0
Cabool	26,723	0	0.00	0
California	72,748	974	2.00	0
Camdenton	251,558	13,889	7.00	0
Cameron	81,389	260	0.50	50
Cape Girardeau	231,235	4,607	2.00	0
Carrollton	59,952	43	0.10	50
Carthage	227,721	5,357	5.00	0
Caruthersville	94,154	2,280	3.00	0
Cassville	142,184	1,305	1.00	0
Chaffee	100,906	3,219	5.00	50
Charleston	73,363	3,447	7.00	0
Chesterfield	330,490	4,630	3.00	50
Chillicothe	97,899	0	0.00	0
Clayton	327,812	9,152	8.00	0
Clinton	140,977	1,159	1.00	0
Columbia	699,961	6,999	1.00	800
Crane	46,620	189	0.50	0
Creve Coeur	294,164	10,796	3.00	50

## Appendix B-2

### Department of Revenue

#### Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2010

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Cuba	79,261	1,281	2.00	100
Deer Creek (St. Louis)	437,715	0	0.00	0
De Soto	147,286	0	0.00	0
Des Peres	325,974	6,392	5.00	0
Dexter	151,397	2,753	2.00	0
Doniphan	98,366	0	0.00	0
Downtown (St. Louis)	291,846	0	0.00	100
Edina	33,857	0	0.00	0
Eldon	160,691	0	0.00	50
Ellington	35,160	0	0.00	0
Elsberry	21,334	1	0.05	0
Eminence	38,611	864	3.00	0
Excelsior Springs	165,179	570	0.50	0
Farmington	233,706	5,506	5.00	0
Fayette	36,400	0	0.00	0
Ferguson	275,352	1,379	0.50	100
Florissant	508,854	3,253	1.00	0
Forsyth	96,959	0	0.00	0
Fredericktown	76,177	725	2.00	50
Fulton	149,918	2,997	2.00	0
Gainesville	51,453	0	0.00	0
Gallatin	40,800	201	1.00	0
Gladstone	405,874	7,370	3.00	0
Glenstone (Springfield)	403,869	13,242	10.00	750
Grandview	363,794	0	0.00	50
Grant City	12,247	0	0.00	0
Greenfield	43,947	0	0.00	100
Hannibal	109,226	2,185	2.00	0
Harrisonville	217,066	6,781	5.00	150
Hartville	40,915	0	0.00	0
Harvester (St. Charles County)	506,278	29,288	6.00	0
Hermann	56,562	0	0.00	0
Hermitage	73,609	0	0.00	0
High Ridge	326,173	3,347	2.00	0
Houston	66,881	166	0.50	50

## Appendix B-2

### Department of Revenue

#### Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2010

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Imperial	290,809	11,652	5.00	1,050
Independence	441,900	8,277	3.50	50
Ironton	64,319	351	1.00	50
Jackson	185,590	6,847	5.00	0
Jefferson City	485,686	18	0.01	0
Joplin	525,885	23,234	7.00	50
Kahoka	48,486	0	0.00	0
Kansas City - Fletcher Daniels Building	376,604	0	0.00	0
Kennett	122,446	6,268	7.50	50
Keytesville	35,105	0	0.00	0
Kingston	40,613	34	0.12	0
Kirksville	140,442	1,454	2.00	0
Lakeview - Branson West	133,949	1,697	2.00	0
Lamar	87,600	385	1.00	0
Lancaster	23,142	0	0.00	0
Lebanon	220,985	5,743	3.00	0
Lee's Summit	533,691	41,450	6.00	0
Lexington	129,956	1,515	2.00	150
Liberty	524,661	29,997	7.00	0
Licking	48,989	0	0.00	0
Linn	50,581	0	0.00	50
Louisiana	36,078	0	0.00	50
Macon	89,654	678	1.00	0
Malden	94,062	0	0.00	0
Marble Hill	66,963	1,038	2.00	0
Marshall	125,134	590	0.50	0
Marshfield	177,312	5,144	4.00	0
Maryville	105,089	0	0.00	0
Maysville	26,617	0	0.00	0
Memphis	31,159	0	0.00	0
Mexico	129,202	3,877	3.00	50
Milan	38,556	0	0.00	50
Moberly	157,199	4,715	3.00	0
Monett	108,116	0	0.00	100
Monroe City	37,077	0	0.00	0

## Appendix B-2

### Department of Revenue

#### Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2010

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Montgomery City	55,978	0	0.00	0
Monticello	51,866	0	0.00	0
Mound City	35,896	0	0.00	0
Mount Vernon	81,312	439	1.00	0
Mountain Grove	86,126	377	0.50	50
Mountain View	60,294	598	1.00	150
Neosho	195,008	0	0.00	100
Nevada	118,322	5,342	5.00	0
New London	57,301	0	0.00	100
New Madrid	65,310	957	2.00	0
Nixa	196,031	4,479	5.00	50
North County (St. Louis)	334,389	19,524	12.30	0
North Kansas City	359,375	9,738	3.00	0
Northside (St. Louis)	193,618	0	0.00	250
Oakville	258,048	6,277	5.00	0
O'Fallon	425,571	5,337	8.50	0
Olivette	317,490	12,476	5.00	50
Osceola	49,073	286	1.00	0
Overland	173,396	2,787	4.00	100
Owensville	87,866	0	0.00	0
Ozark	203,978	4,529	6.00	0
Pacific	166,637	0	0.00	0
Palmyra	51,718	377	1.00	0
Paris	36,502	0	0.00	0
Parkville	275,380	4,427	2.00	0
Perryville	121,480	1,348	2.00	0
Piedmont - Greenville	65,536	428	1.00	0
Pineville	97,038	0	0.00	0
Platte City	216,997	2,246	2.00	50
Plattsburg	80,772	596	1.50	0
Poplar Bluff	270,002	9,924	5.00	0
Potosi	114,735	1,520	1.50	150
Princeton	25,475	0	0.00	0
Raytown	557,716	35,335	10.00	100
Republic	275,702	12,081	5.00	0

## Appendix B-2

### Department of Revenue

#### Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2010

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Richmond	88,738	2,117	3.00	0
Rock Port	37,913	137	0.50	50
Rolla	236,247	7,824	7.50	0
Salem	94,318	892	1.00	0
Sarcoxie	24,621	0	0.00	0
Savannah	118,778	0	0.00	0
Sedalia	274,203	14,168	6.00	0
Shelbina	40,935	0	0.00	0
Sikeston - Miner	171,502	11,996	7.00	0
South County (St. Louis)	452,041	15,530	8.00	0
South Fremont (Springfield)	607,491	30,330	5.00	0
South Kingshighway (St. Louis)	373,363	12,188	5.20	0
Springfield - Landers State Office Building	237,508	12,515	6.00	0
St. Charles	558,442	18,998	3.50	0
St. Clair	91,965	0	0.00	0
St. Joseph	419,403	33,212	10.00	0
Stanberry	43,690	0	0.00	0
Ste. Genevieve	90,325	0	0.00	50
Steelville	44,563	177	0.50	50
Stockton	73,490	0	0.00	0
Sugar Creek	257,082	8,723	3.50	600
Sullivan	97,805	0	0.00	0
Thayer	33,912	0	0.00	0
Trenton	63,285	0	0.00	0
Troy	265,476	0	0.00	0
Twin City (Jefferson County)	227,134	0	0.00	0
Union	159,988	0	0.00	0
Unionville	34,003	0	0.00	0
Van Buren	37,377	0	0.00	0
Vandalia	23,064	0	0.00	0
Versailles	114,654	0	0.00	0
Viburnum	17,844	0	0.00	0
Vienna	54,859	0	0.00	0
Warrensburg	255,423	5,637	3.00	0
Warrenton	157,569	6,792	5.00	0



## Appendix B-2

### Department of Revenue

#### Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2010

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Warsaw	120,004	463	0.50	0
Washington	158,081	0	0.00	50
Waynesville	236,535	7,160	5.00	500
Wentzville	326,460	10,208	5.00	0
West County (St. Louis)	354,560	11,421	4.50	50
West Plains	186,194	1,861	1.00	0
Westside (St. Louis)	131,682	3,483	5.00	0
Willow Springs	35,755	64	0.25	0
Total	<u>\$ 31,027,899</u>	<u>\$ 711,219</u>		<u>\$ 9,500</u>

(1) The Department of Revenue estimates the agent fees based on the number of driver license and motor vehicle transactions processed by the office.

(2) The agent fees retained multiplied by the return percentage may not equal the return to the state. This is due to the timing of the effective date of the contract and any subsequent renewal and/or change of the contract agent.

(3) Liquidated damages are assessed for noncompliance with contract terms for reasons such as failure to enter a Notice of Lein information daily or to attend required training, shipment not received within 10 business days, rejection rate over 2 percent, and transactions performed by unauthorized persons.

During the year ended June 30, 2010, liquidated damages, totaling \$18,441, were received by the state. The difference between the damages assessed and received includes timing differences and assessed damages which are forgiven for reasons including, but not limited to, weather related closures and bank and courier service errors.

Appendix B-3

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2009

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Affton	\$ 279,159	\$ 0	0.00	\$ 0
Alton	29,905	0	0.00	100
Arnold	195,632	0	0.00	300
Aurora	85,196	0	0.00	1,600
Ava	79,768	0	0.00	200
Belton	289,686	0	0.00	0
Bethany	59,316	0	0.00	0
Blue Springs	400,541	0	0.00	50
Bolivar	159,251	0	0.00	0
Bonne Terre	130,050	0	0.00	0
Boonville	105,032	0	0.00	50
Bowling Green	64,790	0	0.00	1,150
Branson	192,784	0	0.00	0
Bridgeton	230,784	0	0.00	2,100
Brookfield	85,429	0	0.00	0
Buffalo	100,337	0	0.00	50
Butler	96,732	0	0.00	0
Cabool	45,219	0	0.00	0
California	68,548	0	0.00	0
Camdenton	252,258	0	0.00	0
Cameron	81,128	0	0.00	0
Cape Girardeau	223,872	100	2.00	0
Carrollton	61,574	0	0.00	200
Carthage	219,234	0	0.00	0
Caruthersville	89,694	0	0.00	0
Cassville	140,915	0	0.00	0
Chaffee	94,624	0	0.00	50
Charleston	71,167	0	0.00	150
Chesterfield	330,546	0	0.00	0
Chillicothe	96,568	0	0.00	0
Clayton	325,579	0	0.00	50
Clinton	136,163	0	0.00	0
Columbia	681,520	1,450	1.00	0
Crane	47,729	0	0.00	0
Creve Coeur	296,553	0	0.00	50

Appendix B-3

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2009

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Cuba	74,541	0	0.00	50
Deer Creek (St. Louis)	452,162	0	0.00	0
De Soto	142,841	0	0.00	0
Des Peres	323,195	0	0.00	0
Dexter	146,588	0	0.00	50
Doniphan	97,019	0	0.00	150
Downtown (St. Louis)	275,813	0	0.00	200
Edina	35,484	0	0.00	100
Eldon	123,576	0	0.00	0
Ellington	35,506	0	0.00	200
Elsberry	5,799	0	0.00	250
Eminence	36,238	0	0.00	0
Excelsior Springs	153,424	0	0.00	100
Farmington	221,830	0	0.00	0
Fayette	30,819	0	0.00	0
Ferguson	225,011	162	0.50	0
Florissant	459,432	0	0.00	0
Forsyth	96,797	0	0.00	0
Fredericktown	73,944	0	0.00	0
Fulton	156,357	0	0.00	200
Gainesville	50,356	0	0.00	0
Gallatin	40,397	0	0.00	150
Gladstone	444,979	0	0.00	0
Glenstone (Springfield)	393,782	0	0.00	50
Grandview	361,973	0	0.00	200
Grant City	11,703	0	0.00	50
Greenfield	42,450	0	0.00	150
Hannibal	104,830	593	2.00	200
Harrisonville	214,748	0	0.00	0
Hartville	42,362	0	0.00	0
Harvester (St. Charles County)	489,455	0	0.00	0
Hermann	55,185	0	0.00	0
Hermitage	72,357	0	0.00	0
High Ridge	324,502	0	0.00	200
Houston	65,551	0	0.00	0

Appendix B-3

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2009

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Imperial	265,044	0	0.00	100
Independence	445,766	0	0.00	0
Ironton	63,782	0	0.00	0
Jackson	177,419	0	0.00	0
Jefferson City	577,500	0	0.00	0
Joplin	505,833	0	0.00	0
Kahoka	48,322	0	0.00	50
Kansas City - Fletcher Daniels Building	375,750	0	0.00	700
Kennett	115,020	0	0.00	0
Keytesville	32,037	0	0.00	150
Kingston	43,653	0	0.00	0
Kirksville	133,831	54	1.00	0
Lakeview - Branson West	126,269	0	0.00	0
Lamar	79,261	0	0.00	0
Lancaster	23,569	0	0.00	50
Lebanon	210,911	0	0.00	0
Lee's Summit	518,892	2,082	8.00	0
Lexington	132,291	0	0.00	700
Liberty	518,868	0	0.00	50
Licking	45,952	0	0.00	50
Linn	49,032	0	0.00	0
Louisiana	37,838	0	0.00	400
Macon	85,683	0	0.00	0
Malden	93,940	0	0.00	0
Marble Hill	65,769	0	0.00	50
Marshall	123,928	0	0.00	0
Marshfield	172,953	0	0.00	300
Maryville	105,031	0	0.00	0
Maysville	21,130	0	0.00	500
Memphis	29,638	0	0.00	0
Mexico	88,025	644	3.00	0
Milan	37,669	0	0.00	0
Moberly	166,124	1,276	3.00	0
Monett	105,723	0	0.00	0
Monroe City	35,846	0	0.00	0

Appendix B-3

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2009

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Montgomery City	64,404	0	0.00	0
Monticello	49,153	0	0.00	50
Mound City	35,874	0	0.00	0
Mount Vernon	79,919	0	0.00	0
Mountain Grove	69,691	0	0.00	0
Mountain View	59,388	0	0.00	1,600
Neosho	179,621	0	0.00	0
Nevada	125,459	0	0.00	100
New London	60,664	0	0.00	0
New Madrid	63,276	0	0.00	0
Nixa	190,364	0	0.00	0
North County (St. Louis)	392,212	0	0.00	400
North Kansas City	344,063	0	0.00	0
Northside (St. Louis)	197,587	0	0.00	250
Oakville	250,484	0	0.00	0
O'Fallon	414,493	0	0.00	100
Olivette	289,914	0	0.00	150
Osceola	48,401	0	0.00	0
Overland	174,757	0	0.00	2,700
Owensville	85,439	0	0.00	0
Ozark	208,707	0	0.00	0
Pacific	163,939	0	0.00	0
Palmyra	56,985	0	0.00	0
Paris	42,319	0	0.00	0
Parkville	257,729	0	0.00	0
Perryville	115,393	0	0.00	50
Piedmont - Greenville	67,003	0	0.00	0
Pineville	111,560	0	0.00	50
Platte City	220,614	0	0.00	0
Plattsburg	77,104	0	0.00	50
Poplar Bluff	251,810	0	0.00	100
Potosi	110,014	0	0.00	50
Princeton	25,333	0	0.00	250
Raytown	520,411	0	0.00	200
Republic	274,038	0	0.00	0

Appendix B-3

Department of Revenue

Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2009

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Richmond	89,055	0	0.00	0
Rock Port	37,370	0	0.00	50
Rolla	223,896	0	0.00	0
Salem	91,034	0	0.00	0
Sarcoxie	25,428	0	0.00	0
Savannah	119,713	0	0.00	0
Sedalia	270,038	0	0.00	0
Shelbina	40,671	0	0.00	50
Sikeston - Miner	166,590	2,038	7.00	0
South County (St. Louis)	449,262	0	0.00	0
South Fremont (Springfield)	670,328	6,437	5.00	0
South Kingshighway (St. Louis)	350,200	0	0.00	50
Springfield - Landers State Office Building	228,181	0	0.00	0
St. Charles	525,914	0	0.00	1,300
St. Clair	86,419	0	0.00	0
St. Joseph	397,248	0	0.00	0
Stanberry	42,964	0	0.00	0
Ste. Genevieve	87,151	0	0.00	0
Steelville	42,654	0	0.00	0
Stockton	68,455	0	0.00	150
Sugar Creek	221,927	0	0.00	0
Sullivan	99,498	0	0.00	0
Thayer	32,574	0	0.00	0
Trenton	60,536	0	0.00	0
Troy	272,544	0	0.00	0
Twin City (Jefferson County)	230,509	0	0.00	0
Union	155,853	0	0.00	50
Unionville	33,169	0	0.00	0
Van Buren	37,547	0	0.00	0
Vandalia	22,973	0	0.00	0
Versailles	125,059	0	0.00	0
Viburnum	17,690	0	0.00	50
Vienna	53,157	0	0.00	100
Warrensburg	246,245	0	0.00	0
Warrenton	154,069	0	0.00	0

## Appendix B-3

### Department of Revenue

#### Contract License Office Fees Retained, Fees Returned to State, and Liquidated Damages

Year Ended June 30, 2009

Office	Agent Fees Retained (1)	Return to the State	Return Percentage at Year End (2)	Liquidated Damages Assessed (3)
Warsaw	118,729	0	0.00	0
Washington	156,111	0	0.00	200
Waynesville	229,361	0	0.00	100
Wentzville	284,334	0	0.00	0
West County (St. Louis)	346,760	0	0.00	300
West Plains	185,951	363	1.00	0
Westside (St. Louis)	122,392	0	0.00	0
Willow Springs	24,001	0	0.00	1,000
Total	<u>\$ 30,308,234</u>	<u>\$ 15,199</u>		<u>\$ 21,000</u>

(1) The Department of Revenue estimates the agent fees based on the number of driver license and motor vehicle transactions processed by the office.

(2) The agent fees retained multiplied by the return percentage may not equal the return to the state. This is due to the timing of the effective date of the contract and any subsequent renewal and/or change of the contract agent.

(3) Liquidated damages are assessed for noncompliance with contract terms for reasons such as failure to enter Notice of Lien information or to attend required training, shipment not received within 10 business days, rejection rate over 2 percent, and transactions performed by unauthorized persons.

During the year ended June 30, 2009, no liquidated damages were paid to the state.



Thomas A. Schweich  
Missouri State Auditor

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# REVENUE and ADMINISTRATION

## Contract License Offices Bidding and Procurement



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April 2012  
Report No. 2012-28

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<http://auditor.mo.gov>





**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

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## Findings in the audit of the Department of Revenue and Office of Administration, Contract License Offices, Bidding and Procurement

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### Background

The Director of the Department of Revenue (DOR) appoints contract agents to operate the 183 contract license offices, throughout the state, responsible for collecting motor vehicle registration fees, driver license fees, and motor vehicle sales and use tax. In 2009, the DOR began awarding contract license offices through a competitive bidding process. The DOR assists with developing the terms of the Request for Proposals (RFP), and the Office of Administration (OA), Division of Purchasing and Materials Management manages the bidding process. Contract agents receive statutorily set fees for each type of transaction processed. Contract agents assessed and retained over \$30 million per year in total processing fees in fiscal years 2011, 2010 and 2009. We reviewed the competitive bidding process for 20 contract license offices.

### Evaluation of Bids/Proposals

The DOR does not make its evaluation tool available to bidders. The current RFP lists the five categories for which points will be awarded, but does not provide potential bidders with the subcategories or maximum points per subcategory. In certain circumstances, bidders may earn up to 8 points in an oral conference during which DOR and OA personnel pose questions from a master list, but the DOR has no written criteria for evaluating the responses to help ensure it awards points fairly and equitably. Bidders also get extra points when the contract manager and office manager positions are filled by separate individuals because the DOR said it provides an extra level of supervision, but the DOR does not require contract managers to conduct documented supervisory reviews. During our audits of contract license offices, we found no evidence of such reviews. In one instance, we found DOR personnel failed to comply with evaluation criteria, preventing a bidder from participating in an oral conference, and potentially changing the award outcome.

### Noncompliant Bids/Proposals

The OA does not always reject noncompliant bids/proposals. During 2009, the OA determined a not-for-profit entity (the NFP) was using a subcontractor for services directly required by the contract, which is prohibited by the RFP. The OA canceled the contracts for 10 affected offices but allowed the NFP to participate in the rebidding and continue to operate the offices during the rebidding and re-awarded the contracts to the NFP for eight contract license offices. In addition, the OA allowed the NFP to change its bids/proposals to a best and final offer (BAFO) for five other pending awards to make them comply with the RFP, against state regulation. The OA also accepted a late bid/proposal to a BAFO, even though state regulation provides that proposals received after the time set for opening of bids/proposals shall be considered late and not opened. Considering the noncompliant and late bids/proposals of some bidders puts other bidders at a disadvantage.

Preference Points	The DOR and OA increased the number of preference points for not-for-profit entities and political subdivisions by two points after the RFP had been issued and the evaluation criteria announced for certain contract license offices. In addition, neither the DOR nor the OA documented the reasons for increasing the number of preference points.
Return to State	In January 2009, the DOR and OA began awarding up to five RFP evaluation points based upon the bidder's willingness to return to the state a percentage of its earned processing fees. The total return to state for all contract license offices for the past 3 fiscal years equaled \$15,200 in 2009, \$707,750 in 2010, and \$1,073,500 in 2011. There is no statutory authority for the return to state provision. State law specifically establishes the various fees to which the contract license offices are entitled and specifies which entities are to be given priority (not-for-profits and political subdivisions); it says nothing about entities willing to return money to the state. In addition, the current practice has led to significant disparities, with some offices that agreed to return fees returning as much as 14.05% and others as little as .01%. If the DOR wants to recoup some portion of its oversight costs from the contract license offices, an administrative fee based upon the volume of transactions and/or state fees collected would be a more equitable approach.
Policies and Procedures	The DOR and OA need to improve several policies and procedures. Some awards of contract license offices were not timely. In 55 percent of the awards we reviewed, it took more than 6 months between the RFP date and the award date, including two which took more than 12 months. The DOR has not conducted analyses to determine whether it has the proper number of contract license offices, whether they are located in the appropriate locations, or what the fiscal impact is on the state and the taxpayers when an office is opened or closed.

In the areas audited, the overall performance of these entities was **Fair**.\*

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American Recovery and Reinvestment Act  
(Federal Stimulus)

Not Applicable.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

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# Department of Revenue and Office of Administration

## Contract License Offices, Bidding and Procurement

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Alana M. Barragán-Scott, Director  
Department of Revenue  
and  
Douglas E. Nelson, Acting Commissioner  
Office of Administration  
Jefferson City, Missouri

In fulfillment of our duties under Chapter 29, RSMo, we have audited certain aspects of the Contract License Offices, Bidding and Procurement by the Department of Revenue and the Office Administration. The objectives of our audit were to:

1. Evaluate policies and procedures pertaining to the bidding and procurement of contract license offices.
2. Evaluate compliance with certain legal provisions pertaining to the bidding and procurement of contract license offices.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions, pertaining to the bidding and procurement of contract license offices.

Although the Department of Revenue and the Office of Administration established many critical internal controls necessary for the bidding and procurement of contract license offices, some controls need to be strengthened to enhance the integrity and credibility of the bidding and procurement process. In addition, for the areas audited, we identified noncompliance with legal provisions and the need for improvement in management practices and procedures.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards

require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Katie Twiehaus
Audit Staff:	Corey McComas, M.Acct., CPA
	Kelli Oldham

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# Department of Revenue and Office of Administration

## Contract License Offices, Bidding and Procurement

### Introduction

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#### **Background**

The Department of Revenue (DOR) was created by Article IV, Section 12, Missouri Constitution, as the central collection agency for state revenues. The DOR is headed by the Director of Revenue who is appointed by the Governor with the advice and consent of the Senate. Section 136.030(2), RSMo, provides the director of revenue shall make provisions for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and other taxes. The Motor Vehicle and Driver Licensing (MV/DL) Division facilitates the registration of motor vehicle, trailer, and marine craft in the state, and the licensing of all operators of motor vehicles residing in the state, as well as tax collection.

The License Office Bureau, under the management of the MV/DL Division, is responsible for administering the operations of 183 contract license offices throughout the state. Additionally, a central license office is operated by the DOR in Jefferson City. Pursuant to Section 136.055, RSMo, the Director of the DOR appoints contract agents to operate the contract license offices. The contract agents do not receive compensation from the DOR, but do receive fees, set by statute, for each type of transaction processed by the office. The contract agent is responsible for all expenses of the contract license office, including the compensation of office employees, office furniture, and supplies. However, the DOR furnishes certain computer equipment for processing the transactions.

Historically, the DOR maintained contract license offices throughout the state which were managed by contract agents selected and appointed by the Governor. Beginning in January 2009, the DOR began awarding contract license offices through a competitive bidding process.

Effective August 2009, Section 136.055, RSMo, requires contract license offices to be awarded through a competitive bidding process. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Also, "... fees collected by a tax-exempt organization may be retained and used by the organization." The following table shows the total collections remitted to the DOR by the contract license offices and the total processing fees assessed and retained by the contract agents for the 3 years ended June 30, 2011.

	Year Ended June 30,		
	2011	2010	2009
Total collections	\$ 755,334,570	715,275,358	728,594,585
Total processing fees	30,617,800	30,308,234	31,027,899



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Department of Revenue and Office of Administration  
Contract License Offices, Bidding and Procurement  
Introduction

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Although the Office of Administration (OA), Division of Purchasing and Materials Management manages the bidding process for the contract license offices, the DOR assists with developing the terms of the Request for Proposals (RFP). In accordance with Chapter 34, RSMo, the contract license office contract must be awarded to the lowest and best offeror.

The DOR is assigned the responsibility to conduct a portion of the evaluation by subjectively evaluating bids/proposals on:

- Sales and service, efficient operations, and technical support.
- Personnel qualifications, financial stability, and past performance and experience.
- Oral conference, if needed.

The OA is responsible for determining and awarding points for:

- Not-for-profit or political subdivision status.
- Minority business enterprise (MBE)/woman's business enterprise (WBE) participation.
- Return to the state.

Contracts for the contract license offices are typically for 1 year, with three 1-year renewal periods. However, the contract may be canceled at the discretion of the DOR. The contract license office contract must include a requirement which allows the State Auditor to audit the contract license offices.

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## Scope and Methodology

The scope of our audit included, but was not necessarily limited to, the 3 years ended June 30, 2011.

Our methodology included conducting interviews with appropriate DOR and OA personnel, as well as certain external parties; reviewing written policies and procedures; reviewing applicable state law; reviewing and evaluating DOR and OA bidding and procurement records and other pertinent documents; and testing certain transactions.

We obtained an understanding of internal controls that were significant within the context of the audit objectives and assessed whether such controls had been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that were significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.



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Department of Revenue and Office of Administration  
Contract License Offices, Bidding and Procurement  
Introduction

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To review the competitive bidding process for contract license offices, we identified the contract agents for the contract license offices as of March 1, 2011. For the period July to December 2010 and the 2 years ended June 30, 2010, we obtained, from the DOR, for each contract license office 1) the total fees retained by the contract agent, 2) the total amount of agent fees returned to the state from that office, and 3) the total liquidated damages (penalties) paid by each office. From this information, we selected 20 offices to review the competitive bidding process for the awarding of the office to the contract agent.

We selected some contract license offices which had the same contract agent for more than one office; offices where some controversy over the award had come to our attention (past/current litigation, media reports, concerns received by the State Auditor's office etc.); offices that had significant fees retained by the agent and/or returned to the state, and that had significant penalties assessed; and offices that had significant weaknesses reported by the DOR, Internal Compliance Bureau.

We reviewed the bidding process and related bidding records for these offices and determined whether:

- Various clauses and requirements in the RFP issued for that specific office were consistent with other RFPs issued during the same general time period.
- Bids/responses were received before the stated deadline.
- The OA performed due diligence for compliance with various requirements, such as contract license office employee background checks, tax-exempt status, and business name filed with the Secretary of State.
- The reasons for the rejection of a bid/response and/or for allowing an entity to rebid were documented and reasonable.
- A best and final offer request was properly sent to all applicable bidders.
- Modifications to the RFP or evaluation system during the bidding process were significant to cause a rebid of the office.
- The evaluation of the office appeared fair and reasonable, and evaluation points were properly awarded.
- If applicable, points awarded for the oral conference were adequately supported.





Department of Revenue and Office of Administration  
Contract License Offices, Bidding and Procurement  
Introduction

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If an entity was awarded more than one office, we determined whether the same and/or similar bid/responses to the various RFP requirements were consistently evaluated.

In addition, we used the publication *State and Local Government Procurement: A Practical Guide* issued by the National Association of State Procurement Officials and the *Model Procurement Code* issued by the American Bar Association as criteria for bidding and procurement best practices.

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# Department of Revenue and Office of Administration

## Contract License Offices, Bidding and Procurement

### Management Advisory Report - State Auditor's Findings

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#### **1. Evaluation of Bids/Proposals**

The Department of Revenue (DOR) needs to improve certain policies and procedures related to its evaluation of contract license office bids/proposals.

##### **1.1 Evaluation tool**

The DOR does not make its evaluation tool available to bidders. The current Request for Proposals (RFP) states that a certain number of points will be awarded in five categories: 1) sales and service, efficient operations, and technical proposal; 2) personnel qualifications, financial stability and past performance/experience; 3) not-for-profit or political subdivision status; 4) MBE/WBE participation; and 5) return to state. However, the DOR evaluation tool contains a detailed list of subcategories, with certain maximum points for each subcategory. For example, under the sales and service category there are multiple subcategories receiving points for items such as office hours, staffing, implementation plan, and inventory forms/supplies.

According to the National Association of State Procurement Officials (NASPO) publication (best practices) *State and Local Government Procurement: A Practical Guide*, an RFP should include all criteria to be used for the evaluation of proposals to help ensure the evaluation process is properly communicated and the bidding process is fair for all bidders, and no factor should be considered that is not included in the RFP.

##### **1.2 Oral conferences**

The DOR has not prepared written evaluation criteria for its evaluation of oral conferences.

When the top bidders receive evaluation scores within two points of each other, bidders are invited to attend an oral conference. This conference is typically a phone conference with the proposed contract manager answering a series of questions posed by DOR and Office of Administration (OA) personnel. Currently, a bidder may earn up to eight points for their responses.

Although the DOR has prepared a master list of questions to be asked at an oral conference, the DOR has not developed written criteria for the evaluation of the responses. The development of written evaluation criteria for oral conferences helps ensure points are awarded in a fair and equitable manner.

##### **1.3 Points for contract manager**

The DOR does not require contract managers to perform certain documented supervisory activities, when the contract and office manager are separate individuals. As a result, the current practice of awarding points when different individuals serve as the office and contract managers does not ensure better segregation of duties actually occurs.



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The maximum number of points awarded for the position of office manager is eight points, based on experience. The evaluation tool only provides for a maximum of six points if the office manager also serves as the contract manager. According to DOR personnel, separate individuals acting as the contract and office manager provide an extra level of supervision. However, during our audits of contract license offices, we found no documented supervisory reviews by contract managers. Since the DOR does not require a contract manager to exercise certain documented supervisory activities, there is no assurance supervision actually occurs.

#### 1.4 Points for inventory

In one instance, DOR personnel did not comply with the criteria of the evaluation tool when evaluating a bid proposal. In addition, this deviation may have affected the ultimate award of the office.

The RFP provides that bidders describe plans for monitoring of inventory such as license plates, tabs, and decals and office supplies, and establishing inventory reorder points. According to the evaluation tool, if a bidder appears to understand the importance of inventory monitoring and reordering, the bidder is to receive a full point for this subcategory. However, in one instance the bidder received .75 points instead of a full point for an inventory requirement. According to DOR personnel, this bidder was considered a successful office operator, and the bidder's response appeared to indicate an understanding of inventory and reordering. If the bidder had received the full point, an oral conference would have been held, and potentially could have changed the contract award.

The DOR should abide by the evaluation tool criteria to ensure all bidders are treated in a fair and equitable manner.

## Recommendations

The OA and DOR:

- 1.1 Include the DOR evaluation tool in the RFP to ensure bidders clearly understand and address all requirements.
- 1.2 Develop written criteria for the evaluation of oral conferences.
- 1.3 Require certain documented supervisory activities be performed by contract managers when the contract and office manager are separate individuals before determining the amounts of points to award for the office manager.
- 1.4 Take steps to ensure bid evaluators understand and follow the evaluation tool criteria.



## Auditee's Response

*The DOR provided the following written responses:*

- 1.1 The RFP contains contractual requirements. The evaluation tool does not contain contractual requirements-its purpose is to help ensure consistency of the evaluation of proposals. Note that the evaluation tool is a publicly available document.*
- 1.2 The Department has criteria for evaluation of oral conferences and will place them in written format.*
- 1.3 The RFP contains contractual requirements, including management requirements. The RFP also requires the contract manager to perform supervisory duties, and requires an explanation of how contract management will be performed. The Department will discuss with OA the addition of more specificity to the RFP.*
- 1.4 The evaluation tool was designed to help ensure consistency of the evaluation of proposals. Evaluators receive training and refresher training in performing evaluations and how to use the evaluation tool. That training will continue.*

*The OA provided the following written responses:*

- 1.1 When evaluating a response to an RFP, the Division of Purchasing and Materials Management must examine both the offeror's commitment to comply with contractual requirements and the quality of its submission information. Contractual requirements document the State's performance requirements and are codified by words such as "shall or must" verses "should or may". These words distinguish what are mandatory verses desirable requirements.*

*The offeror's submission information is used to evaluate how the offeror intends to meet the contract requirements and objectives through its performance strategy. The DOR and the OA will examine the evaluation tool process to balance precision of information with the need to ensure the evaluation tool does not usurp the evaluation process by, in essence, writing a proposal for an offeror which is not the intent of the RFP process.*

- 1.2 The OA will work with the DOR on the criteria for evaluation of oral conferences.*

*1.3&*

- 1.4 The OA will discuss with the DOR.*



## **2. Noncompliant Bids/Proposals**

The OA is not consistent in rejecting all noncompliant bids/proposals. For the 20 contract license offices reviewed, the OA rejected noncompliant bids/proposals in 7 offices. However, other noncompliant bids/proposals were not rejected. The OA needs to better handle noncompliant proposals to ensure fair and impartial treatment to all entities participating in the bidding process.

### **2.1 Subcontractor**

During 2009, the OA determined a not-for-profit entity (the NFP) did not comply with a significant requirement in the RFP. However, the OA allowed the NFP to rebid several office contracts and to change bid/proposals for other pending office contracts in the Best and Final Offer (BAFO) process.

The contract license office RFP prohibits the contractor from using subcontractors for services directly required by the contract and requires the contractor to manage and operate the contract license office and be solely responsible for providing the required services.

Prior to September 2009, the OA awarded the NFP 10 contract offices. In September 2009, the OA received information which raised questions about whether the NFP contract manager was actually a subcontractor. After investigating the situation, the OA informed the NFP, in December 2009, that the NFP contract manager, for the previously awarded contract license offices, was not an employee of the NFP. Rather, the contract manager was an employee of a separate entity which contracted with the NFP to provide services. Therefore, the NFP was noncompliant (not in compliance) with the RFP subcontractor requirement.

The OA canceled the contracts for the ten offices but permitted the NFP to participate in the rebidding. In addition, the OA, to avoid disruption in services, allowed the NFP to continue to operate the contract license office until the office was rebid and awarded. According to OA personnel, the NFP was permitted to participate in the rebidding because they did not believe the NFP intentionally misled the OA or the DOR. Ultimately, the OA awarded contracts to the NFP for eight of the ten offices.

In addition, the NFP had previously submitted bids/responses for five other office contracts that did not comply with the subcontractor requirement. The awards of these offices were pending as of September 2009. The OA allowed the NFP to change its contract manager during the BAFO process and subsequently awarded these five contracts to the NFP.

According to OA personnel, this type of decision (allowing a noncompliant bidder to rebid) is made on a case by case basis in the best interest of the state, and all data is reviewed to reach an informed and rational decision. However, state regulation 1 CSR 40-1.050, provides that withdrawal of the



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bid/proposal shall be the vendor's sole remedy for an error other than an obvious clerical error. Also, the NASPO best practices provide that when a bidder submits a bid/proposal which takes exception to a material requirement of the RFP (for example, the violation of a clause), the bid/proposal is to be ineligible for award and should be rejected.

## 2.2 Late bid/response

The OA did not reject a bid/proposal to a BAFO when the NFP submitted the bid/proposal later than the timeframe specified in the BAFO.

The BAFO required the bid/response to be returned by 5 p.m. on June 24, 2010; however, the OA accepted a bid/response from the NFP which was not received until June 25, 2010. The NFP was later awarded this office.

The deadline for a BAFO is not a firm deadline, but rather a guide and bids/responses are accepted beyond that date; and accepting bids/responses after the return date was a judgment call which depended upon how quickly a contract needed to be awarded, according to OA personnel.

State regulation 1 CSR 40-1.050 provides that proposals received after the time set for the opening of bids/proposals shall be considered late and not opened. Only in extraordinary circumstances, outlined in the regulations, is a late bid/proposal opened. Extraordinary circumstances did not exist in this case since the OA was not closed due to weather conditions, postal services not delayed due to labor strikes/unforeseen "Act of God", and postal delivery time was not promised to bidder. In addition, NASPO best practices provide that the principle which applies to an initial evaluation should also apply to revision of offerors submitted with a BAFO.

## Recommendation

The OA ensure the same standards are applied to the RFPs and BAFOs as set forth by the NASPO best practices.

## Auditee's Response

*The OA believes that current practice ensures the same standards apply to RFPs and BAFOs. Those standards are driven by legal language whereby the words "must and shall" are mandatory and the words "should and may" are desirable or permissible. These standards are applicable in all contract and proposal language.*

*The OA uses words carefully as language such a non-responsive and non-compliant have legal connotations. The Auditor used an example in which a not-for-profit agency received several contracts, but contracts were later cancelled by OA when it learned that a contractual requirement was not met.*

*The Auditor noted that the cancelled contractor was given an opportunity to modify its offers on outstanding RFPs, and referenced 1 CSR 40-1.050. This regulation prescribes an offeror's remedy if it submits an incorrect*



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*response. A more applicable reference is Section 34.042, RSMo, which prescribes a State remedy for dealing with incorrect responses. Section 34.042, RSMo, states "negotiations may be conducted with responsible offerors who submit proposals selected by the commissioner of administration on the basis of reasonable criteria for the purpose of clarifying and assuring full understanding of and responsiveness to the solicitation requirements." The OA outlines deficiencies in proposals (non-responsiveness) to offerors of a solicitation and provides an opportunity to clarify and assure a full understanding of and responsiveness to the solicitation requirements. The opportunity was provided to all offerors of this situation. In addition, new state regulations took effect in December of 2011, and 1 CSR 40-1.050(19) provides specific detail of OA's process in addressing nonresponsive submissions to an RFP.*

*The Auditor also stated the OA did not reject a bid/proposal to a BAFO that was received later than the time frame specified, and referenced a regulation that states that proposals received after the time set shall be considered late and not opened. In response, the BAFO language did not mandate a specific response time; instead, it used permissive language rather than mandatory. Accordingly, the OA also did not accept a late proposal in that the OA was negotiating with responsible offerors and not accepting new proposals to an RFP.*

*However, the OA will review its procedures to determine if it is appropriate and necessary for the last Best and Final Offers to be treated the same as late proposals.*

## Auditor's Comment

It is not fair and equitable to bidders when the OA uses a judgment call to decide whether to accept or reject a BAFO which is not received by the requested date and time. Accepting a BAFO received 1 or 2 days after the stated date and time in one bidding process but not in another is not appropriate.

## 3. Preference Points

The DOR and the OA did not appropriately handle the awarding of points for NFP entities and/or political subdivisions (PSD) when evaluating the bids/proposals for certain contract license offices. Additionally, the DOR and the OA did not provide clear documentation to support the reasoning for increasing the points awarded to NFPs/PSDs.

For 9 of 20 (45 percent) contract license offices reviewed, the points awarded for NFPs/PSDs were increased during the evaluation of the bids/responses for that office. While the competitive bidding process for the contract license offices is open to individuals, for-profit entities, NFPs, and PSDs, preference is given to NFPs and PSDs, as required by Section 136.055.2, RSMo, by providing these entities with extra points. Prior to January 2009, five points were given to civic organizations and NFPs;



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between January 2009 and August 28, 2009, five points were given to NFPs and PSDs; and after August 28, 2009, seven points were given to NFPs and PSDs. Appendix B shows the timeframe and points used in the evaluation process.

NASPO best practices provide that once the RFP evaluation criteria are announced, the evaluation should only measure the proposals against those criteria; otherwise, the evaluation diverges from what the bidders were told, and the evaluation process becomes unfair. The increase in point preference for the NFPs/PSDs appears to be a significant change in the RFP evaluation for contract license offices. For one of the license offices reviewed, the increase in points may have affected the outcome of the award. If an NFP had not received two additional points, an oral conference would have been held between the NFP and a for-profit entity. The results of the oral conference may have changed the outcome of the awarding of the office.

In addition, it is unclear why the points for this preference was increased when these entities were already receiving a preference. DOR and OA personnel indicated that documentation was not prepared and retained to support the initial award of a five point preference, or the increase in points awarded after state law requiring priority for NFPs/PSDs became effective in August of 2009. Documentation of the reasons, assumptions, and goals should be prepared and maintained to support preferences allowed in the competitive bidding process to ensure all bidders are treated fairly and equitably.

## Recommendation

The OA and the DOR refrain from changing criteria for awarding points after an RFP has been issued. Also, the OA and the DOR should prepare and maintain documentation to support decisions which allow a preference and/or priority be given to certain entities in the evaluation process.

## Auditee's Response

*The DOR provided the following written response:*

*The finding and recommendation omit that the identified change was required by law. The Department has not changed and does not foresee changing criteria absent legislative directive. The timeline for the change to the points, referred to in the finding, covers the period when a law that directly applied to the bid process for license office contracts went into effect. Points were and are awarded as provided by law.*

*Specifically, section 136.055, RSMo, went into effect on August 28, 2009 and provided, in relevant part, "The competitive bidding process shall give priority to organizations and entities that are exempt from taxation under Section 501(c)(3) or 501(c)(6) of the Internal Revenue Code of 1986 as amended, and political subdivisions, including but not limited to, municipalities, counties, and fire protection districts." The requirement to*





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*give a "priority" to the specific types of bidders identified in the law was effected by changing the pre-existing practice of awarding 5 points to those types of bidders, to awarding them 7 points upon the law's effective date. Reissuing the RFPs would have delayed the awards and was not required under the law.*

*Documentation is prepared and maintained. Whether a bidder receives the "priority" required by section 136.055 is determined by the bidder's completion and submission of Exhibit F, regarding exempt entity or political subdivision status. The bidder must provide acceptable documentation of its status. In the case of a tax exempt entity, the RFP specifically requires the bidder to provide a letter issued to it by the Internal Revenue Service, dated no more than twelve months prior to the due date for receipt of proposals, and confirming the bidder's status under Section 501(c)(3) or 501 (c)(6) of the Internal Revenue Code of 1986, as amended. If the letter is more than twelve months old, the bidder must provide its most recent federal Form 990 or 990-EZ filing. These documents are maintained in the Office of Administration Division of Purchasing and Materials Management - Awarded Bid and Contract Document Search System, and are made public upon award.*

*The OA provided the following written response:*

*The OA will discuss with the DOR and remain cognizant of this recommendation. Statutes and executive orders give support to the decisions outlined. The OA will maintain documentation where applicable.*

## Auditor's Comment

The DOR response is misleading. State law, effective August 2009, did not require the DOR to increase points given to exempt entities. Rather, Section, 136.055, RSMo, only provides that priority be given to exempt entities. In fact, the DOR was already giving priority to these entities when assigning five points in the evaluation to tax exempt entities.

## 4. Return to State

The DOR's assessment and collection of oversight costs from contract license offices may not be fair and legal. There are no statutory provisions that authorize the DOR and the OA to request a "return to state" (a firm, fixed percentage of fees earned that the bidder agrees to remit to the state) in the contract license office competitive bidding process. Additionally, the current practice of using the return to state as part of the bidding process has resulted in disparities among the offices, and does not provide that all offices pay an equitable share of DOR oversight costs. The return to the state for all contract license offices totaled approximately \$1,073,500, \$707,750, and \$15,200, for the years ended June 30, 2011, 2010, and 2009, respectively.



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Beginning in January 2009, as part of the RFP, bidders may return to the state a firm, fixed percentage of the processing fees earned. In the evaluation process, a bidder may receive up to five points for the return to state, weighted in relation to the returns offered by other bidders for a particular contract. If no return to the state is included in the RFP, the bidder receives no points. According to DOR management, the return to state is based on fairness and is beneficial to taxpayers. Since the DOR spends time and resources to oversee and provide technical support to the contract license offices, the return to state helps defray some of these costs. In addition, because the contract agent makes a profit by handling state-mandated transactions, the DOR believes it is appropriate for agents to return some of the profit to the state.

Our audit revealed the following concerns related to the return to state provision:

- No statutory authority exists for the return to state provision, and the current practice of using this provision in the bidding process negates and is in direct conflict with past legislative actions to set processing fees. Section 136.055, RSMo, specifically establishes that contract license offices collect certain processing fees on the transactions processed as full compensation for services provided. Specific statutory authority also exists to require a competitive bidding process for the awarding of the contract license offices, and for priority to be given to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts.
- The current practice of requesting a return to state has resulted in significant disparities in the amounts the offices return. For example, for the year ended June 30, 2011, 119 of 183 (65 percent) of the contract license offices returned a portion of their processing fees to the state, with the percentages of fees returned ranging from 0.01 percent to 14.05 percent. Additionally, the return to state for the 22 contract license offices with the largest collections (over \$10 million a year) ranged from \$0 to \$73,425 (0 to 13.6 percent).

The following table shows some disparities of amounts returned during the year ended June 30, 2011:



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Office	Collections	Fees Retained	Return to State	Percentage
Columbia	18,660,289	703,102	7,032	1.00
South Fremont	15,399,876	620,978	73,423	13.60
Florissant	12,374,893	482,526	4,824	1.00
Jefferson City	12,259,291	480,915	48	0.01
Joplin	11,468,477	498,222	34,908	7.00
Grandview	9,104,515	349,123	0	0.00
Rolla	4,845,849	237,250	17,818	7.50
Branson	4,434,331	268,986	4,039	1.50
Buffalo	1,757,163	100,038	719	0.75
Gallatin	346,292	19,058	38	1.00

- The current practice of requesting a return to state does not ensure contract license offices pay an equitable share of DOR oversight costs. The DOR incurs personal service and expense/equipment costs in the management and monitoring of contract license offices. These costs include, but are not limited to, providing the offices with computer equipment/software to process the transactions, field coordinators who regularly visit each office to ensure proper procedures are followed, and central office staff who ensure daily deposits and reports are proper.

According to a NASPO research brief, *Administrative Fees*, issued in September 2009, many states utilize an administrative fee as a method to support certain procurement/management activity. Typically, these fees ranged from 0.5 percent to 2 percent, with 1 percent being the most common charge. An administrative fee assessed on each contract license office could help maintain and increase the effectiveness and level of service provided by the DOR. Assessing an administration fee on the volume of transactions and/or state fees collected by each contract license office may be a more equitable method of recovering costs associated with DOR oversight of the contract license offices. However, it appears that assessing an administrative fee will require enabling legislation.

The OA, DOR, and General Assembly should evaluate and address the current practices and inequities related to the competitive bidding process for contract license offices.

## Recommendation

The OA and the DOR work with the General Assembly to determine the appropriateness of the return to state provision.

## Auditee's Response

*The DOR provided the following written response:*

*The optional return to the state provision has been included in the RFP since January 2009, before the legislature passed section 136.055, RSMo, which went into effect on August 28, 2009. Fees retained by license offices*



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*and amounts returned to state have also been publicly available from the beginning of the process to bid out all 183 license offices. While the Department believes no statutory change is indicated at this time, the Department will continue to evaluate this and all provisions of the RFP, together with OA.*

*The OA provided the following written response:*

*The OA will discuss with the DOR.*

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## 5. Policies and Procedures

### 5.1 Timeliness of the award process

The DOR and the OA need to improve several policies and procedures related to the contract license office bidding and procurement process.

For some contract license offices, the length of time between issuing the RFP and awarding the office was not timely. For 11 of 20 (55 percent) awards reviewed, it took 6 months or more between the RFP date and the award date, and two awards took over 12 months. In some instances, the OA issued multiple BAFOs for some awards, which caused additional time lags.

According to DOR personnel, a time lag occurred in some instances because all contract license offices were bid in 2009, there was a learning curve in the process, and the RFP was continually refined to include all relevant information. However, our review found that offices bid after 2009 were not always awarded more timely. For example, of the 20 offices reviewed, 4 RFPs issued in January 2009 were not awarded for 6 to 12 months, while 2 RFPs issued in January 2010 were awarded 7 and 8 months later. The DOR does not anticipate significant time lags to occur in the future, according to DOR personnel.

The NASPO best practices provide that bids/proposals be evaluated expeditiously because unnecessary delays discourage competition. In addition, the NASPO best practices provide that contracts be awarded with reasonable promptness to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the RFP.

### 5.2 Number and location of offices

The DOR has not performed analyses to determine the optimum number of contract license offices, where those offices should be located, or the fiscal impact on the state when an office is opened or closed.

Currently 183 contract license offices operate throughout the state and the DOR operates an office in Jefferson City. There is typically a contract license office in each county seat, with multiple offices in urban areas such as St. Louis, Kansas City, and Springfield. The most recent contract license office opened in Imperial in 2006, and the DOR had no documentation to support the necessity of opening an office in this location.



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An analysis, considering criteria such as population, distances between offices, and revenues collected, could provide a basis to support the elimination, consolidation, or addition of contract license offices throughout the state. The cost to the state when eliminating, consolidating, or adding an office should also be considered. For example, eliminating an office could reduce oversight costs incurred by the DOR, but also could inconvenience state taxpayers. Without such cost-benefit analyses, the department cannot ensure motor vehicle and drivers license services are provided to the public in the most economical and advantageous manner.

## Recommendations

The OA and DOR:

- 5.1 Evaluate and implement procedures to ensure contract license offices are awarded in a timely manner.

The DOR:

- 5.2 Periodically, prepare an analysis to determine the optimum number and location of contract license offices.

## Auditee's Response

*The DOR provided the following written responses:*

- 5.1 *The process of bidding out all 183 license offices around the state, which began in 2009, was massive and brand new for both the Department and OA. In the initial phases, more than half of all RFPs resulted in one or more Best and final Offers (BAFOs), which significantly added to the evaluation and award timeline. Over time, clarifications have been made to the RFP which significantly decrease BAFOs and time to award. Department staff has also developed experience in reviewing bids and uses the evaluation tool, which help minimize time to award. Working with OA, the Department will continue to evaluate the process to ensure offices are awarded as promptly as possible.*
- 5.2 *The Department regularly prepares reports of data such as transaction volumes, customer comments, wait times, and fees collected, and maintains a map of offices.*

*The OA provided the following written response:*

- 5.1 *The OA and the DOR issued contracts for 183 license offices over 18 months. The OA bid volume increased by 20% during this period with no staff increases. While the OA had solicited for some offices previously, this endeavor included every license office in the state. There were many changes to the requirements during the process as we learned of new issues raised by potential offerors and state staff.*



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*The OA and DOR will evaluate methodology to ensure license offices are awarded in as timely a manner as possible.*

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 Contract Agents - As of June 30, 2011

Office	Contract Agent
Aftton	Lavin Company, LLC
Alton	Freda S. Davis
Arnold	Community Service Arnold Jaycees
Aurora	Denise Blauvelt
Ava	Alternative Opportunities, Inc.
Belton	Karen Meador dba Meador's Professional Services
Bethany	Debra J. Kinnison
Blue Springs	City of Blue Springs
Bolivar	T & J Stark Enterprises, LLC
Bonne Terre	Bonne Terre Chamber of Commerce
Boonville	Sherry Shelton
Bowling Green	Koester & Koester
Branson	BT Express/Barb Ghan
Bridgeton	MT Services, Inc.
Brookfield	Heidi L. Martin
Buffalo	Scott C. Baker
Butler	Blen Enterprises, LLC
Cabool	Gregory Financial Services, Inc.
California	Roberta Elliott
Camdenton	Alternative Opportunities, Inc.
Cameron	Cameron License Office (Becky Curtis)
Cape Girardeau	Southeast Missouri University Foundation
Carrollton	Carrollton Area Chamber of Commerce
Carthage	Alternative Opportunities, Inc.
Caruthersville	Rebecca Cole
Cassville	Rebecca Rae Brown
Chaffee	Ernst & Sadler Licensing
Charleston	Charleston Chamber of Commerce
Chesterfield	Ryker Enterprises, Inc.
Chillicothe	Kathryn Diane Harlow
Clayton	License Management, LLC
Clinton	Connie S. Rogers
Columbia	Columbia Licensing Services, LLC
Crane	Cara L. McMenemy
Creve Coeur	Ryker Enterprises, Inc.
Cuba	JKM Management Group, LLC
Deer Creek (St. Louis)	Alternative Opportunities, Inc. (1)
De Soto	Julie Lewis Wagner, LLC
Des Peres	Ryker Enterprises, Inc.

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Office	Contract Agent
Dexter	Elizabeth Rowland
Doniphan	John Young
Downtown (St. Louis)	City of St. Louis Collector of Revenue
Edina	Barbara Hunziker
Eldon	The Lake of the Ozarks Marine Dealers Association
Ellington	Rebecca Darlene Rhea
Elsberry	Katherine Schilling
Eminence	Turner Insurance
Excelsior Springs	Tipton Tigers
Farmington	Alternative Opportunities, Inc.
Fayette	Howard County Farm Bureau Service Company
Ferguson	Lions Club of Ferguson
Florissant	Florissant Rotary Club
Forsyth	Patricia L. Dreyer
Fredericktown	Lee Agencies, LLC
Fulton	Koester & Koester
Gainesville	Lisa F. Turner
Gallatin	Heather LaRae Stephenson
Gladstone	James R. Williams
Glenstone (Springfield)	Breast Cancer Foundation of the Ozarks
Grandview	City of Grandview
Grant City	City of Grant City
Greenfield	Patti Hayes dba Greenfield License Office
Hannibal	Donald R. White
Harrisonville	Red Moon Enterprises, LLC
Hartville	Freda Barr
Harvester (St. Charles County)	Harvester License Office, LLC
Hermann	Hermann Area Chamber of Commerce
Hermitage	Hickory County Farm Bureau Services, Inc.
High Ridge	High Ridge Services, LLC
Houston	Cynthia L. Blades
Imperial	Paul R. Schmidt, Sr.
Independence	Paul J. Wrabec Co., Inc.
Ironton	The Mayfield Group, LLC
Jackson	Deuce Enterprises
Jefferson City	License & Verification Services, LLC
Joplin	Alternative Opportunities, Inc.
Kahoka	L. Sue Scott
Kansas City - Fletcher Daniels Building	DTC-DMV, Inc.



## Appendix A

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Office	Contract Agent
Kennett	License Office of Kennett, Inc.
Keytesville	Doug & Cheri, LLC
Kingston	Kingston License Office (Lisa M. Prater)
Kirksville	Judy J. Albin
Lakeview - Branson West	BT Express/Barb Ghan
Lamar	Joyce E. Moser
Lancaster	Lisa Kephart
Lebanon	TM Management (Toni M. Morris)
Lee's Summit	Lee's Summit, LLC
Lexington	Lexington Area Chamber of Commerce
Liberty	James R. Williams
Licking	Alicia J. Swindell
Linn	City of Linn
Louisiana	City of Louisiana
Macon	James L. Willis
Malden	James G. Burrow
Marble Hill	Bollinger County Abstract & Title Co., Inc.
Marshall	Minerva Licensing Services, LLC (Rebecca Buie)
Marshfield	Marshfield Public Schools Foundation
Maryville	Maryville Chamber of Commerce
Maysville	Roberta Sue Steiner
Memphis	Lisa Grubb
Mexico	David Koester, Jr. & David Koester, Sr.
Milan	Heather LaRae Stephenson
Moberly	Douglas D. Galaske
Monett	The Monett Chamber of Commerce
Monroe City	City of Monroe City
Montgomery City	Montgomery County Farm Bureau
Monticello	Brenda Redmon
Mound City	Joseph Laukemper
Mount Vernon	Mount Vernon Area Community Foundation, Inc.
Mountain Grove	Mountain Grove License Office c/o Britney Michel
Mountain View	Pamela Sue Smith
Neosho	Neosho Area Business and Industrial Foundation, Inc.
Nevada	Alternative Opportunities, Inc.
New London	Cynthia Jane Kilby
New Madrid	Rose Mary Williams
Nixa	Alternative Opportunities, Inc.
North County (St. Louis)	Invaluable Solutions, LLC

## Appendix A

Department of Revenue and Office of Administration  
 Contract License Offices, Bidding and Procurement  
 Contract Agents - As of June 30, 2011

Office	Contract Agent
North Kansas City	James R. Williams
Northside (St. Louis)	Roberts-Roberts & Associates, LLC
Oakville	Belle LH Schmidt
O'Fallon	Elle Management, LLC
Olivette	Alternative Opportunities, Inc.
Osceola	Tammy L. Young
Overland	Wentzville Agency Management, LLC
Owensville	Gasconade County Farm Bureau Services Co.
Ozark	Alternative Opportunities, Inc.
Pacific	Pacific Area Chamber of Commerce
Palmyra	Joseph R. Smith
Paris	Christy Barton
Parkville	Red Moon Enterprises, LLC
Perryville	Conservative Ventures
Piedmont - Greenville	Piedmont Area Chamber of Commerce
Pineville	William Hugh Brower
Platte City	Platte Civic Association
Plattsburg	CPLO Enterprises, LLC
Poplar Bluff	Three Rivers Endowment Trust
Potosi	Washington County Chamber of Commerce
Princeton	Donna Place Herdrich
Raytown	Benny J and Betty S Sharp dba Sharp Services
Republic	Alternative Opportunities, Inc.
Richmond	Lexington Area Chamber of Commerce
Rock Port	Midwest Data Center, Inc.
Rolla	Rolla Public Schools Foundation a/k/a Champions of Rolla Education
Salem	Linda J. Harris - Dent County License Office
Sarcoxi	City of Sarcoxi
Savannah	Cathy Bowman
Sedalia	Connie S. McLaughlin
Shelbina	Tim's Home Center, LLC
Sikeston - Miner	Terry Ramsey Cole dba Sikeston License Bureau
South County (St. Louis)	Lavin Company, LLC
South Fremont (Springfield)	Alternative Opportunities, Inc.
South Kingshighway (St. Louis)	South Kingshighway Services, LLC
Springfield - Landers State Office Building	Alternative Opportunities, Inc.
St. Charles	Kielty Enterprises, LLC
St. Clair	St. Clair Area Chamber of Commerce
St. Joseph	Saint Joseph, LLC

## Appendix A

Department of Revenue and Office of Administration  
Contract License Offices, Bidding and Procurement  
Contract Agents - As of June 30, 2011

Office	Contract Agent
Stanberry	City of Stanberry
Ste. Genevieve	Joseph J. Rozier, III
Steelville	Cynthia R. Brinkmann
Stockton	Linda Sue Bolen
Sugar Creek	Paul J. Wrabec Co., Inc.
Sullivan	Jackie Vaughn & Steve Vaughn
Thayer	Ranette Ray
Trenton	Trenton Area Chamber of Commerce
Troy	Troy Chamber of Commerce
Twin City (Jefferson County)	Twin City Area Chamber of Commerce
Union	Union Area Chamber of Commerce
Unionville	Jan MaShelle Trimble
Van Buren	Sherry L. Crider
Vandalia	City of Vandalia
Versailles	Morgan County License Bureau
Viburnum	The Mayfield Group, LLC
Vienna	Maries County Missouri
Warrensburg	Warrensburg Missouri Chamber of Commerce
Warrenton	Wentzville Agency Management, LLC
Warsaw	Connie L. Siercks dba Benton County License Office
Washington	Washington Area Chamber of Commerce
Waynesville	Pulaski County Growth Alliance
Wentzville	Elle Management, LLC
West County (St. Louis)	Sanguinity, LLC
West Plains	Missouri License Office of West Plains, LLC
Westside (St. Louis)	Automobile Club of Missouri
Willow Springs	Willow Springs Chamber of Commerce

- (1) The awarding of this office was in litigation that was resolved in October 2011.  
The operator of the office is the former operator, Deer Creek Building Management, LLC.  
A new RFP for this office was issued in November 2011.

## Appendix B

### Department of Revenue and Office of Administration Contract License Offices, Bidding and Procurement Timeline for Evaluation Criteria and Points Awarded

Date	Criteria	Points
Prior to January 1, 2009	Customer service, efficient operations, and technical proposal	50
	Past performance, experience, reliability, financial stability, personnel qualifications, and resources	25
	Civic organization or not-for-profit certification	5
	Minority business enterprise (MBE) or women business enterprise (WBE)	5
	Processing fees	5
	Oral conference	10
	Total	100
January 1, 2009 to August 28, 2009	Sales and service, efficient operations, and technical proposal	45
	Personnel qualifications, financial stability, and past performance/experience	30
	Not-for-profit or political subdivision status	5
	MBE/WBE participation	5
	Return to the state	5
	Oral conference	10
	Total	100
After August 29, 2009	Sales and service, efficient operations, and technical proposal	45
	Personnel qualifications, financial stability, and past performance/experience	30
	Not-for-profit or political subdivision status	7
	MBE/WBE participation	5
	Return to the state	5
	Oral conference	8
	Total	100



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Douglas County



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April 2012  
Report No. 2012-27

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<http://auditor.mo.gov>

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# Douglas County

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Douglas County  
Ava, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-45, *Douglas County*, issued in August 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed reports summarizing the status of our recommendations and supporting documentation submitted by county officials. We also held meetings with county officials to seek clarification and review additional documentation. Documentation provided by county officials included the 2012 budget, County Commission meeting minutes, contracts, various accounting records, and bank statements. This report is a summary of the results of this follow-up work, which was substantially completed during March 2011.

Thomas A. Schweich  
State Auditor

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# Douglas County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Financial Condition

The financial condition of the General Revenue and Special Road and Bridge Funds declined as a result of decreasing revenues, increasing costs, and poor planning, and according to the 2011 budget projections, the cash balances of these funds were expected to decrease even more significantly by December 31, 2011.

Declining receipts of these funds made it difficult for the county to prepare a balanced budget. In addition, the County Commission transferred approximately \$42,000 annually from the General Revenue Fund to support the Assessment Fund. Disbursements were expected to increase during 2011 due to changes in elected official salaries, additional hiring of employees, a projected bridge project, and some equipment purchases. The Prosecuting Attorney's salary increased approximately \$69,000 annually starting in 2011, as a result of county voters approving a full-time position. Also, based on legal advice, other elected officials' salaries were increased to 100 percent of statutory amounts.

#### Recommendation

The County Commission closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue and Special Road and Bridge Funds. The County Commission should perform long-term planning and ensure receipts are maximized and disbursements are closely monitored.

#### Status

##### **In Progress**

The County Commission is monitoring receipts and disbursements each month by utilizing a monthly budget to actual financial report. The General Revenue Fund cash balance at December 31, 2011, was \$133,803 and the projected ending cash balance for this fund at December 31, 2012, is \$5,640. The Special Road and Bridge Fund cash balance at December 31, 2011, was \$267,901 and the projected ending cash balance for this fund at December 31, 2012, is \$44,465. No long-term plans have been developed.

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#### 2.1 Judicial Center Project Planning

The county entered into debt and disbursed county resources without adequate project planning and without a funding source in place for the possible construction of a judicial center.

In January 2009, the county purchased land and buildings costing \$120,229 to use as a site for a future judicial center, and entered into a loan agreement for the purchase. During the 2 years ended December 31, 2010, the county spent additional monies to repair the roof and install a heating and cooling system in one building located on this property. The county also paid an engineering firm for expenses and to prepare plans for a judicial center.

The county proposed two 1/2 cent sales taxes, a capital improvement sales tax under Section 67.700, RSMo, to be used for loan repayment and construction, and a general sales tax under Section 67.547, RSMo, to be





Douglas County  
Follow-up Report on Prior Audit Findings  
Status of Findings

used for operating costs of the judicial center after completion. However, both sales tax issues failed in the November 2010 general election, and the county was unable to fund any additional work on the project. In addition, had the general sales tax issue passed, the county would have imposed a levy above the statutory maximum allowed by Section 67.547, RSMo.

**Recommendation**

The County Commission develop plans for the property purchased and ensure associated costs are considered. In addition, for future proposed sales tax issues, the County Commission should review the overall sales taxes being levied, consult with legal counsel, and ensure they are in accordance with state statutes.

**Status**

**In Progress**

The County Commission indicated it will consult with its legal counsel before any future property purchases are considered and will make sure an appraisal is performed in the future. While the County Commission has not formally documented its plans, the County Commission indicated it is considering selling a portion of the property purchased because there is a lack of funding to develop the property.

**4. Emergency  
Management**

Controls and procedures over emergency management receipts and disbursements needed improvement.

**4.1 Contracts and Expense  
Reimbursements**

As a result of no formal written contracts and a lack of controls and procedures for monitoring the disbursements made by the former Emergency Management (EM) Director and former EM Assistant Director, multiple questionable disbursements were made. These payments included EMT class services and expense reimbursements including mileage, equipment, supplies, training, lodging, and meals.

**Recommendation**

The County Commission enter into written agreements for EM services, which detail the duties to be performed, compensation to be paid, and the documentation required for payments of services and expenses. The County Commission should ensure non-wage payments are reported on 1099 forms, and amended 1099 forms should be filed for payments made in 2010 and 2009. The County Commission should ensure control procedures are in place to review reimbursement requests for accuracy and detect questionable or altered invoices and discontinue the practice of unsupported cash advances.

**Status**

**In Progress**

The County Commission has developed a contract with the EM Director outlining his duties and compensation; however, the contract does not appear to cover all required areas. The county issued a form 1099 to the EM



Douglas County  
Follow-up Report on Prior Audit Findings  
Status of Findings

Director for 2011. The County Commission indicated it is reviewing all requests for payments to ensure original invoices are received and no cash advances are paid.

#### 4.2 EMT Classes

Improvement was needed over EMT class records and receipting procedures. Accounting records such as receipt slips, attendance reports, grant applications and awards, and invoices were not retained for two of the three EMT classes. Additionally, accounting records were not complete for the third EMT class. Receipt slips were not always issued for class and testing fees received from students; receipt slips were not always issued in numerical order or accounted for properly; the method of payment was not always recorded on the receipt slips; and the composition of receipts was not reconciled to the composition of transmittals to the County Treasurer.

#### Recommendation

The County Commission retain all accounting records, require receipt slips be issued in numerical sequence for all monies received and the numerical sequence of receipt slips be accounted for properly, and reconcile the composition of receipts to amounts transmitted to the County Treasurer.

#### Status

##### **Implemented**

The County Commission indicated EMT classes will no longer be held after completion of the last class in December 2011.

#### 5. Meeting Minutes

Open meeting minutes did not document the specific reasons for closing a meeting. The County Commission held eight closed session meetings during the 2 years ended December 31, 2010.

#### Recommendation

The County Commission ensure the specific reasons for closing a meeting are documented.

#### Status

##### **Implemented**

The County Commission had one closed meeting since the issuance of the audit report and that meeting was documented in accordance with the Sunshine Law, Chapter 610, RSMo.

#### 6. Sheriff Controls and Procedures

Weaknesses existed in accounting controls and procedures in the Sheriff's office.

##### 6.1 Segregation of Duties

The duties of receiving, recording, depositing, and disbursing monies and reconciling the Sheriff's bank accounts were not adequately segregated. A lieutenant performed all of these duties, and a documented supervisory review of the accounting records was not performed.



Douglas County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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Recommendation

The Sheriff adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

Status

**Implemented**

The Sheriff indicated since the audit in 2011, the Lieutenant no longer performs these duties, and a clerk was hired to perform these tasks. The Sheriff indicated he reviews and signs all checks, end of the month reports, and bank statements and reconciliations.

6.2 Bank Reconciliations  
and Liabilities

The Sheriff's office maintained two current bank accounts (general and civil fee). The former Sheriff maintained three bank accounts (general, civil fee, and donation). While bank reconciliations and lists of liabilities were prepared monthly for the Sheriff's two current bank accounts (general and civil fee), liabilities were not reconciled with cash balances. Due to inadequate monitoring of liabilities and lack of bank reconciliations on the three old bank accounts, disbursements were incorrectly made from the old and new bank accounts, and the errors were not determined in a timely manner.

Recommendation

The Sheriff reconcile bank balances to liabilities monthly, ensure any differences between accounting records and reconciliations are investigated and resolved, and close old inactive bank accounts.

Status

**Implemented**

The Sheriff indicated the addition of a clerk has allowed the county to place more emphasis on this area. The monies that were deposited into the wrong accounts have been rectified with the County Treasurer. Each month bank balances are reconciled to liabilities and old inactive accounts were closed.

6.3 Receipting and  
Depositing Procedures

The method of payment was not always recorded on the bond receipt slips, and the composition of receipts was not reconciled to the composition of deposits. Receipt slips were not always issued in numerical order or accounted for properly. Receipts were not deposited timely and intact. Checks and money orders were not restrictively endorsed until a deposit was prepared.

Recommendation

The Sheriff require the method of payment be recorded on all receipt slips and reconcile the composition of receipts to deposits. Receipt slips should be issued in numerical sequence, and the numerical sequence of receipt slips accounted for properly. The Sheriff should also ensure all monies are deposited intact and in a timely manner, and checks and money orders are restrictively endorsed upon receipt.

Status

**Implemented**



Douglas County  
Follow-up Report on Prior Audit Findings  
Status of Findings

The Sheriff indicated his office only accepts money orders for bonds. The composition is recorded in the new electronic accounting system and is reconciled with deposits. Receipts slips are issued and deposited in numerical sequence, deposits are made as monies are received, and money orders are restrictively endorsed when received.

7. Public Administrator  
Controls and Procedures

Controls and procedures for monitoring receipts and disbursements of wards needed improvement.

7.1 Gift Cards

The Public Administrator indicated some gift cards were purchased to spend down wards' cash balances so assets remained below Medicaid eligibility funds. At least 23 gift cards were purchased from ward funds by the Public Administrator during the 2 years ended December 31, 2010. Of the gift cards purchased, 14 gift cards were not used timely for the ward.

The Public Administrator did not adequately or properly account for gift cards purchased. The Public Administrator provided a list of all gift cards purchased; however, the list was not accurate. Additionally, gift cards, which were on hand at the time an annual settlement was filed, were not included on the annual settlements as an asset of the ward. A receipt slip was not obtained or retained for some gift cards distributed to wards or to wards' facilities, and as a result, there was no assurance the wards received their gift cards.

Recommendation

The Public Administrator reconsider the necessity of purchasing gift cards for wards. If gift cards are necessary, establish records to properly account for gift cards, and obtain and retain receipts for distributed gift cards. In addition, the Public Administrator should discontinue the practice of unnecessarily spending down a ward's cash balance so assets remain below Medicaid eligibility funds, and contact the Missouri Department of Social Services, Family Support Division, to determine whether any monies are due to the state.

Status

**In Progress**

The Public Administrator indicated she has three gift cards for two wards, which she maintains in each ward's checkbook. She also indicated a nursing home maintains a \$100 gift card for another ward. The Public Administrator indicated she checked the value of these gift cards with Wal-mart on February 21, 2012, and the values noted above remain unspent. The Public Administrator indicated she plans to give the three gift cards she maintains to the facility where the wards reside and request receipts. The Public Administrator also indicated there have been no new purchases of gift cards.

7.2 Bank Reconciliations

The Public Administrator maintained bank accounts for most of her wards and maintained a fee account, where fees received from wards were



Douglas County  
Follow-up Report on Prior Audit Findings  
Status of Findings

deposited and disbursed to the county. An accurate running check register balance of the bank accounts for each estate and the fee account was not maintained. As a result, the Public Administrator did not properly perform reconciliations on the ward's bank accounts or her fee account and bank account records and cash balances were not accurate and in agreement.

**Recommendation**

The Public Administrator maintain running book balances and reconcile bank balances monthly.

**Status**

**Implemented**

The Public Administrator started maintaining running check book balances and reconciling bank balances monthly in July 2011.

**8.1 Prosecuting Attorney  
Segregation of Duties**

The duties of receiving, recording, depositing, and disbursing monies, and reconciling the Prosecuting Attorney's bank account were not adequately segregated. One clerk performed all of these duties, and a documented supervisory review was not performed.

**Recommendation**

The Prosecuting Attorney adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.

**Status**

**Implemented**

The Prosecuting Attorney indicated there is only one county employee in the office so there can be no real segregation of duties. The Prosecuting Attorney indicated he reviews the bank statement when it comes in the mail and reviews the end of the month report.

**8.2 Prosecuting Attorney  
Depositing and Posting  
Procedures**

Receipts were not deposited timely. Deposits were normally made every 2 weeks. In addition, amounts recorded on manual receipt slips were not reconciled to the Prosecuting Attorney's bad check accounting system and deposits.

**Recommendation**

The Prosecuting Attorney deposit receipts on a timely basis and reconcile manual receipt slips to amounts recorded on the bad check accounting system and deposits.

**Status**

**In Progress**

Deposits are now made on a weekly basis, and receipt numbers are now recorded on the deposit slips.



Thomas A. Schweich  
Missouri State Auditor

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# State of Missouri

## Single Audit

Year Ended  
June 30, 2011

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March 2012  
Report No. 2012-26



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Fiscal Year 2011 Statewide Single Audit

Single Audit Background	<p>The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards.</p> <p>Single Audit guidelines require audit work be conducted on "major" programs and utilize a risk-based approach to determine which specific programs are major. Using this methodology, for the fiscal year ended June 30, 2011 (FY2011), our Single Audit involved audit work on 26 major programs at 9 departments, encompassing \$11.24 billion (79 percent) of the total federal awards spent. The 26 major programs audited also account for approximately 96 percent (\$1.72 billion) of all American Recovery and Reinvestment Act of 2009 (ARRA) funds spent during FY2011.</p>
2011 Federal Awards	<p>The state spent approximately \$14.23 billion in federal awards through 349 different federal programs during FY2011, including approximately \$1.79 billion in federal ARRA awards, expended through 62 programs at 13 state departments. The majority of ARRA funds were expended by the end of FY2011, but some programs will continue to have ARRA expenditures in subsequent fiscal years.</p>
Financial Reporting Controls OA	<p>The Office of Administration-Division of Accounting lacked adequate procedures to identify improperly recorded inter-fund and inter-agency transactions. A change in disbursement procedures required by a federal agency resulted in approximately \$184 million in transactions being recorded twice in the state's accounting system by two state departments.</p>
Low-Income Home Energy Assistance Program (LIHEAP) DSS	<p>A Department of Social Services (DSS)-Family Support Division (FSD) subrecipient, the Human Development Corporation of Metropolitan St. Louis (HDC), misused at least \$669,704 in LIHEAP funds before going out of business. The HDC received \$4.23 million through the LIHEAP program to help pay energy costs for low-income families, but the entity began having financial problems and ultimately failed. The state had to use additional state funds to pay at least \$669,704 owed to the energy supplier.</p>
Eligibility Reassessments DHSS	<p>As noted in our prior audit, the Department of Health and Senior Services (DHSS)-Division of Senior and Disability Services (DSDS) did not ensure payments were only made on behalf of eligible persons. Of the 60 Medicaid recipients we selected for testing, the DHSS-DSDS did not perform annual reassessments for 46 of 59 (78%) and could not even locate the other file.</p>
Benefit Payments DLIR	<p>The Department of Labor and Industrial Relations (DLIR) lacked adequate controls and procedures to manage unemployment benefits, resulting in \$189,423 in questioned costs.</p>
Allowable Costs and Activities DPS	<p>The Department of Public Safety (DPS)-Office of the Director (OD) did not require salary certifications or approved activity reports to support personnel-related expenditures and did not adequately segregate some duties. The DPS-State Emergency Management Agency (SEMA) lacked</p>

	adequate controls and procedures to ensure Social Services Block Grant (SSBG) Disaster funds were used for allowable costs and activities.
Eligibility and Assistance Payments DSS	As noted in our prior audit, the DSS-Children's Division (DSS-CD) lacked adequate controls to ensure payments were proper and benefited only eligible clients. Of the 60 Child Care and Development Fund cases we reviewed, 15 percent lacked eligibility documentation, including 6 case files that were missing entirely, and 22 percent of the 60 payments we reviewed lacked adequate documentation and/or were not in compliance with DSS policies. In addition, the DSS-CD made over \$200,000 in ARRA Child Care Initiative payments to ineligible clients, and we questioned over \$40,000 in payments made through the Adoption Assistance program. The DSS-FSD could not demonstrate all recipients complied with eligibility requirements for the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program, and it did not always properly determine eligible expenses to count toward spend down requirements, which may have caused participants to receive coverage for which they were not eligible.
Unallowable Costs and Maintenance of Effort DSS	The DSS-FSD did not timely update income information and lacked complete eligibility documentation for some Temporary Assistance for Needy Families (TANF) recipients. The DSS-FSD also failed to sanction the benefits of some participants who failed to cooperate with Child Support Enforcement procedures. The DSS-FSD claimed over \$44 million in unallowable costs under the TANF program and counted unallowable educational program costs toward the maintenance of effort requirements, which was also a finding in our prior audit. The DSS-FSD lacked adequate controls to ensure the accuracy of data used to calculate the work participation rate for the TANF Work Verification Plan and to ensure recipients were sanctioned for non-compliance with program requirements.
Report Reviews DSS	The DSS MO HealthNet Division (DSS-MHD) lacked adequate controls to ensure reports were produced and reviewed as needed to ensure compliance with requirements of the Medicaid program.
Subrecipient Monitoring	Several agencies failed to monitor their subrecipients adequately. In particular, as reported in our prior audit report, the DESE continues to wait until the end of the year to monitor its ARRA programs to determine whether ARRA funds are being spent properly.
Additional Comments	The DSS-MHD periodically changed the rate paid to pharmacies under some programs, but the state regulation authorizing these fees has not changed. The DSS-MHD did not adequately control the override of claims or access to the Medicaid Management Information System. The DSS-Division of Finance and Administrative Services (DSS-DFAS) and the DPS-OD both lacked adequate controls over preparation of the Schedule of Expenditures of Federal Awards, and errors were not prevented and/or detected. The DSS-DFAS did not prevent and/or detect cost allocation errors and lacked adequate controls and procedures to ensure TANF funds transferred to the SSBG were used for programs and services to eligible individuals. The DPS-OD and some subrecipients of the DESE did not expend cash timely. We had no findings at 3 departments: Department of Mental Health, Department of Natural Resources and Department of Transportation.

Because of the compound nature of this audit report, no overall rating is provided.



STATE OF MISSOURI  
SINGLE AUDIT

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Common Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CSR	Code of State Regulations
OMB	Office of Management and Budget
RSMo	Missouri Revised Statutes
SAM II	Statewide Advantage for Missouri
USC	United States Code

## INTRODUCTION AND SUMMARY

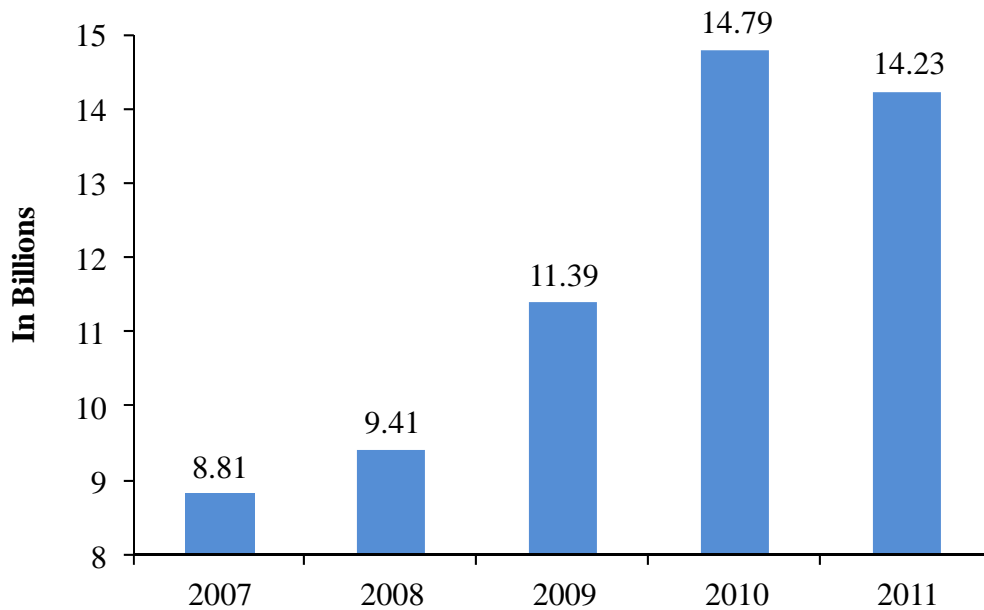
## INTRODUCTION AND SUMMARY

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended \$14.23 billion in federal awards during the year ended June 30, 2011.

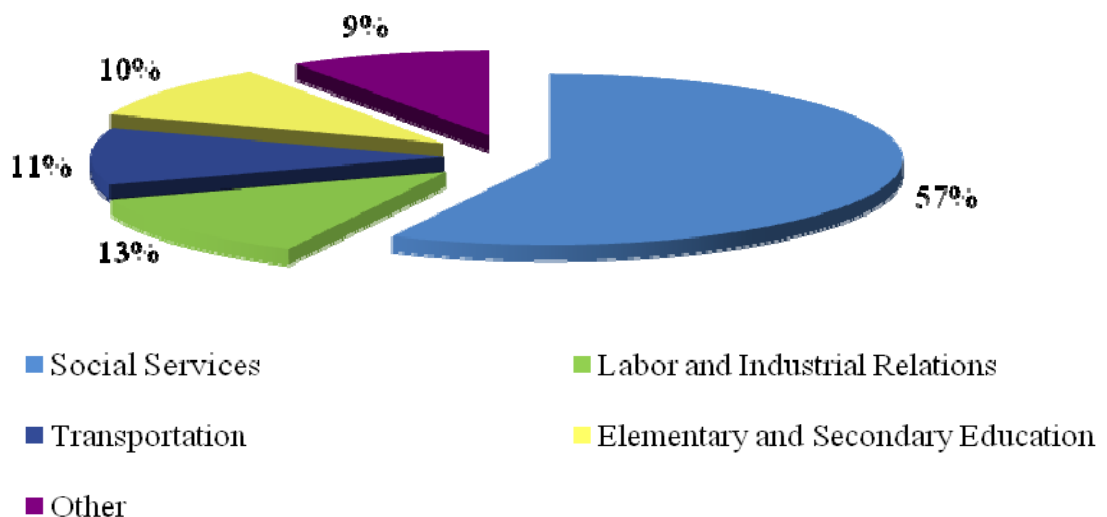
### Total Expenditures of Federal Awards Five Year Comparison



Expenditures of federal awards have increased over the past several years, peaking in fiscal year 2010. A contributing factor to the increase in total expenditures of federal awards during the years ended June 30, 2011, and June 30, 2010, was the additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of fiscal year 2011; however, some programs will continue to have ARRA expenditures in subsequent fiscal years.

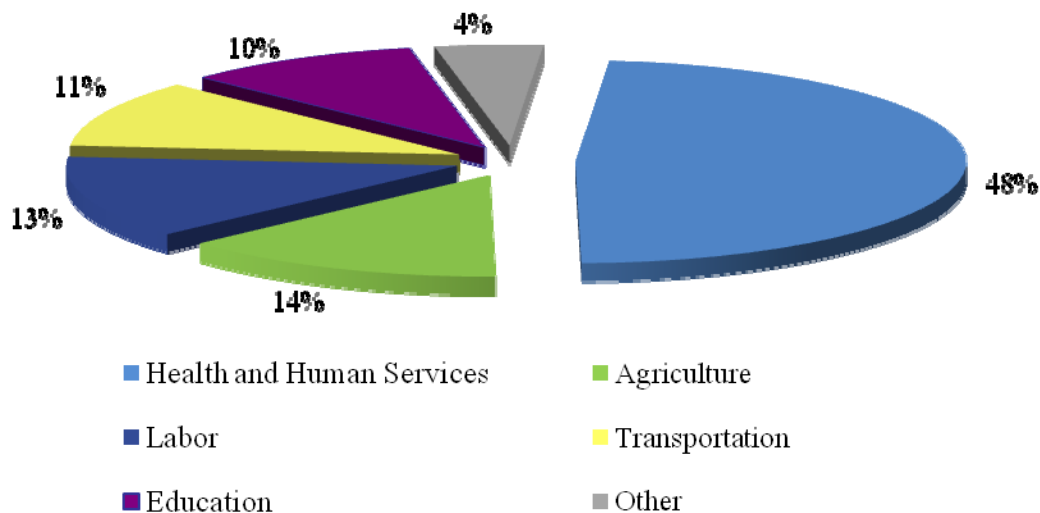
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (91 percent).

### Expenditures of Federal Awards by State Department



The state received federal awards from 22 different federal agencies. Most of the federal awards (96 percent) came from 5 federal agencies.

### Expenditures of Federal Awards by Federal Department

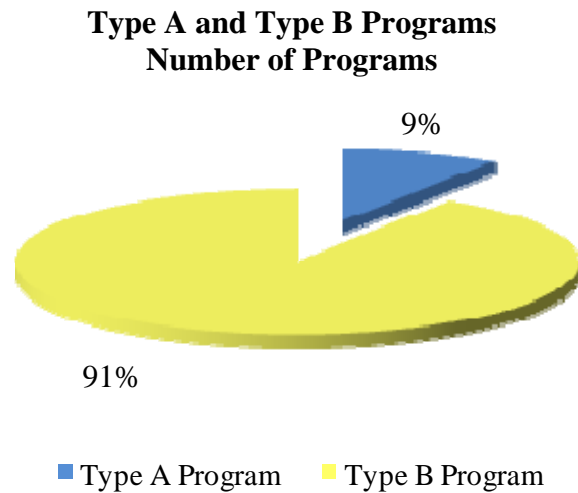


Overall, the state expended federal awards in 349 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program as the larger of \$30 million or fifteen-hundredths of one percent (0.0015) of federal awards expended.

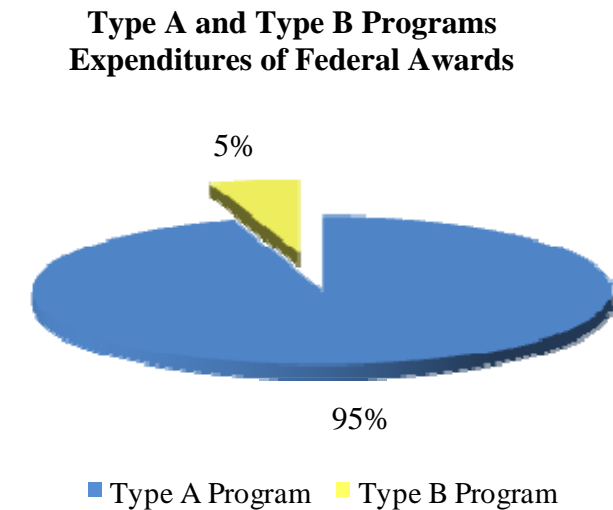
### Determination of Type A Programs

Larger of:		\$30,000,000
		or
Total expenditures of federal awards	14,227,651,365	
Fifteen-hundredths of one percent	<u>.0015</u>	
		21,341,477
Dollar Threshold		<u>\$30,000,000</u>

Programs with federal expenditures over \$30 million are Type A programs and the programs under \$30 million are Type B programs. Of the 349 different federal award programs, 32 were Type A programs and 317 were Type B programs.



The 32 Type A programs had expenditures of federal awards totaling \$13.5 billion, which was 95 percent of the total expenditures for all programs. The 317 Type B programs had expenditures of federal awards totaling \$708 million, which was only 5 percent of the total expenditures for all programs.





OMB Circular A-133 requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on various risk factors. To ensure a high level of accountability over ARRA funds, Appendix VII of the 2011 Compliance Supplement included additional criteria to consider when determining risk for the Type A programs containing ARRA funds due to the inherently higher risk of these funds. We performed a risk assessment on each Type A program and determined 13 of the 32 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited the 19 Type A programs assessed as high risk as major.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs which were not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended (\$14.23 billion times .0003 = \$4,268,295). We performed risk assessments on the 43 larger Type B programs and determined 12 of them were high risk. In accordance with OMB Circular A-133, we audited 7 (at least one-half) of these 12 high risk Type B programs as major.

#### **Major and Non-major Programs**

<b>Audit Coverage by Type of Program</b>	<b>Number of Programs</b>	<b>Expenditures</b>	<b>Percentage of Expenditures</b>
Type A major programs	19	\$ 11,121,626,059	
Type B major programs	7	114,822,039	
Total major programs	26	\$ 11,236,448,098	79%
Type A non-major programs	13	\$ 2,397,846,560	
Type B non-major programs	310	593,356,707	
Total all programs	323	\$ 2,991,203,267	21%
	349	\$ 14,227,651,365	100%

#### **American Recovery and Reinvestment Act of 2009**

As noted above, the state of Missouri expended a total of approximately \$14.23 billion in federal awards during the year ended June 30, 2011. Of that total, approximately \$1.79 billion (12.6 percent) was expended in ARRA awards. The ARRA awards relate to 62 existing or new federal programs with expenditures at 13 different state agencies. We audited 18 of these programs as major, covering about \$1.72 billion, or 96 percent of total expenditures of ARRA awards.

STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	\$ 1,427,870,430
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	44,858,308
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	871,533
	Total SNAP Cluster		<u>1,473,600,271</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	54,517,123
10.555	National School Lunch Program	Agriculture	196,469,306
10.556	Special Milk Program for Children	Agriculture	531,295
10.559	Summer Food Service Program for Children	Agriculture	8,176,971
	Total Child Nutrition Cluster		<u>259,694,695</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	93,726,141
10.558	Child and Adult Care Food Program	Agriculture	49,212,215
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	54,883,268
12.401	ARRA - National Guard Military Operations and Maintenance (O&M) Projects	Defense	27,585
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	59,438,584
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	1,455,604
	Total CDBG - State-Administered CDBG Cluster		<u>60,894,188</u>
17.225	Unemployment Insurance	Labor	1,761,445,147
17.225	ARRA - Unemployment Insurance	Labor	6,875,870
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	15,386,027
17.258	ARRA - Workforce Investment Act - Adult Program	Labor	1,462,902
17.259	Workforce Investment Act - Youth Activities	Labor	16,396,870
17.259	ARRA - Workforce Investment Act - Youth Activities	Labor	1,366,420
17.260	Workforce Investment Act - Dislocated Workers	Labor	5,427,854
17.260	ARRA - Workforce Investment Act - Dislocated Workers	Labor	8,708,789
17.277	Workforce Investment Act - National Emergency Grants	Labor	1,008,111
17.278	Workforce Investment Act - Dislocated Workers Formula Grants	Labor	15,949,696
	Total WIA Cluster		<u>65,706,669</u>
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	1,222,081,225
20.205	ARRA - Highway Planning and Construction	Transportation	236,314,850
	Total Highway Planning and Construction Cluster		<u>1,458,396,075</u>
64.015	Veterans State Nursing Home Care	Veterans Affairs	46,605,652
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	4,897,404
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	69,617,178
81.042	Weatherization Assistance for Low-Income Persons	Energy	3,871,260
81.042	ARRA - Weatherization Assistance for Low-Income Persons	Energy	52,142,736

STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	Education	212,302,433
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Education	62,496,875
	Total Title I, Part A Cluster		<u>274,799,308</u>
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	216,678,100
84.173	Special Education - Preschool Grants	Education	2,627,599
84.391	ARRA - Special Education - Grants to States, Recovery Act	Education	88,428,528
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	Education	3,165,903
	Total Special Education Cluster (IDEA)		<u>310,900,130</u>
84.032	Federal Family Education Loans	Education	157,472,862
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	60,210,492
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	Education	2,449,572
	Total Vocational Rehabilitation Cluster		<u>62,660,064</u>
84.367	Improving Teacher Quality State Grants	Education	47,640,978
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	Education	158,217,373
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Education	71,889,456
	Total State Fiscal Stabilization Fund Cluster		<u>230,106,829</u>
84.410	ARRA - Education Jobs Fund	Education	189,727,725
	Immunization Cluster:		
93.268	Immunization Grants	Health and Human Services	61,517,689
93.712	ARRA - Immunization	Health and Human Services	1,586,359
	Total Immunization Cluster		<u>63,104,048</u>
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	171,892,850
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	Health and Human Services	40,544,082
	Total TANF Cluster		<u>212,436,932</u>
93.563	Child Support Enforcement	Health and Human Services	32,372,065
93.563	ARRA - Child Support Enforcement	Health and Human Services	2,731,643
93.568	Low-Income Home Energy Assistance	Health and Human Services	79,637,403
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	53,869,183
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	58,926,961
93.713	ARRA - Child Care and Development Block Grant	Health and Human Services	28,823,744
	Total CCDF Cluster		<u>141,619,888</u>
93.658	Foster Care - Title IV-E	Health and Human Services	53,098,125
93.658	ARRA - Foster Care - Title IV-E	Health and Human Services	1,463,765

STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
93.659	Adoption Assistance	Health and Human Services	31,319,271
93.659	ARRA - Adoption Assistance	Health and Human Services	2,189,063
93.667	Social Services Block Grant	Health and Human Services	63,088,776
93.767	Children's Health Insurance Program	Health and Human Services	106,598,391
	Medicaid Cluster:		
93.720	ARRA - Survey and Certification Ambulatory Surgical Center Healthcare- Associated Infection (ASC-HAI) Prevention Initiative	Health and Human Services	203,548
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,248,291
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	16,896,472
93.778	Medical Assistance Program	Health and Human Services	5,207,152,499
93.778	ARRA - Medical Assistance Program	Health and Human Services	648,830,108
	Total Medicaid Cluster		<u>5,874,330,918</u>
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	42,305,567
	Total Disability Insurance/SSI Cluster		<u>42,305,567</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	47,596,522
	Homeland Security Cluster:		
97.067	Homeland Security Grant Program	Homeland Security	30,675,992
	Total Homeland Security Cluster		<u>30,675,992</u>
	Total Type A Programs (expenditures greater than \$30,000,000)		13,519,472,619
	Total Type B Programs (expenditures less than \$30,000,000)		708,178,746
	Total Expenditures of Federal Awards		<u>\$ 14,227,651,365</u>

## STATE AUDITOR'S REPORTS



# THOMAS A. SCHWEICH

## Missouri State Auditor

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2011, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2012. Our report includes a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan; which represent 77 percent and 14 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 36 percent of the assets and revenues, respectively, of the business-type activities.
3. The discretely presented component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board, a discretely presented component unit; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 59, *Financial Instruments Omnibus*; and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

### Internal Control Over Financial Reporting

Management of the state of Missouri is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in finding number 2011-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the auditing procedures to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated January 25, 2012, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri, federal awarding agencies and pass-through entities, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Thomas A. Schweich  
State Auditor

January 25, 2012





# THOMAS A. SCHWEICH

## Missouri State Auditor

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly

#### Compliance

We have audited the state of Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The state's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

Our compliance audit, described below, did not include the operations of the component units and related organizations that expended federal financial assistance during the year ended June 30, 2011, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the state's compliance with those requirements.

As described in finding numbers 2011-4, 2011-7, 2011-10, 2011-11, 2011-14, and 2011-17 through 2011-19 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding allowable activities or allowable costs and cost principles applicable to the Medicaid Cluster, allowable activities or allowable costs and cost principles and cash management requirements applicable to the Homeland Security Cluster, allowable activities or allowable costs and cost principles applicable to the Justice Assistance Grant Program Cluster, allowable activities or allowable costs and cost principles, subrecipient monitoring, and earmarking requirements applicable to the Social Services Block Grant, allowable activities or allowable costs and cost principles and eligibility requirements applicable to the Child Care and Development Fund Cluster, and allowable activities or allowable costs and cost principles, eligibility, and level of effort requirements applicable to the Temporary Assistance for Needy Families Cluster. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the state of Missouri complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2011-6, 2011-8, 2011-9, 2011-15, 2011-20, and 2011-22 through 2011-24.

#### Internal Control Over Compliance

Management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type

of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2011-4, 2011-7, 2011-11, 2011-14, 2011-18, and 2011-19 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2011-2, 2011-3, 2011-6, 2011-8, 2011-9, 2011-17, 2011-20, 2011-22, 2011-23, and 2011-25 to be significant deficiencies.

The state of Missouri's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the state's responses and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

February 10, 2012



# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

### **INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2011, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2012. Our report includes a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan; which represent 77 percent and 14 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 36 percent of the assets and revenues, respectively, of the business-type activities.

3. The discretely presented component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds.

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board, a discretely presented component unit; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 59, *Financial Instruments Omnibus*; and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying schedule. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, except for the effects of the exclusion of federal award expenditures of public universities and other component units, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Thomas A. Schweich  
State Auditor

January 25, 2012

SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.UNKNOWN	HIDTA	\$ 3,229,227	2,359,044
	Total Office of National Drug Control Policy	<u>3,229,227</u>	<u>2,359,044</u>
Department of Agriculture			
10.UNKNOWN	School Lunch Commodity Refund	34,146	34,146
10.UNKNOWN	Nutrition Education and Obesity Prevention Program	3,596,797	0
10.UNKNOWN	Summer Electronic Benefits Transfer for Children	304,680	0
10.025	Plant and Animal Disease, Pest Control, and Animal Care	1,226,075	0
10.069	Conservation Reserve Program	678,755	0
10.086	Aquaculture Grants Program (AGP)	93,492	88,817
10.086	ARRA - Aquaculture Grants Program (AGP)	1,907	1,097
10.153	Market News	1,385	0
10.163	Market Protection and Promotion	57,008	52,508
10.169	Specialty Crop Block Grant Program	33,140	33,140
10.170	Specialty Crop Block Grant Program - Farm Bill	89,927	59,188
10.435	State Mediation Grants	15,552	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	741,631	0
10.479	Food Safety Cooperative Agreements	166,311	0
10.550	Food Donation	92,632	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,427,870,430	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	44,858,308	2,550,375
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	871,533	0
	Total SNAP Cluster	<u>1,473,600,271</u>	<u>2,550,375</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	54,517,123	54,517,123
10.555	National School Lunch Program	196,469,306	196,377,288
10.556	Special Milk Program for Children	531,295	531,295
10.559	Summer Food Service Program for Children	8,176,971	7,671,288
	Total Child Nutrition Cluster	<u>259,694,695</u>	<u>259,096,994</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	93,726,141	25,905,996
10.558	Child and Adult Care Food Program	49,212,215	48,613,642
10.560	State Administrative Expenses for Child Nutrition	3,707,331	1,621,102
10.565	Commodity Supplemental Food Program	1,171,604	1,125,963
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,175,164	1,116,833
10.568	ARRA - Emergency Food Assistance Program (Administrative Costs)	849,072	0
10.569	Emergency Food Assistance Program (Food Commodities)	12,052,174	0
	Total Emergency Food Assistance Cluster	<u>14,076,410</u>	<u>1,116,833</u>
10.574	Team Nutrition Grants	186,672	84,139
10.578	WIC Grants to States (WGS)	184,352	135,862
10.578	ARRA - WIC Grants to States (WGS)	140,698	0
10.579	Child Nutrition Discretionary Grants Limited Availability	88,827	29,965
10.582	Fresh Fruit and Vegetable Program	1,798,312	1,798,312
10.664	Cooperative Forestry Assistance	1,551,852	322,264
	Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	7,264,759	7,264,759
	Total Schools and Roads Cluster	<u>7,264,759</u>	<u>7,264,759</u>
10.675	Urban and Community Forestry Program	131,610	0
10.678	Forest Stewardship Program	70,274	0

STATE OF MISSOURI  
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CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
10.680	Forest Health Protection	86,909	0
10.688	ARRA - Wildland Fire Management	4,700,113	4,633,152
10.762	Solid Waste Management Grants	108,889	0
10.769	Rural Business Enterprise Grants	650	0
10.912	Environmental Quality Incentives Program	13,130	0
10.923	Emergency Watershed Protection Program	40,136	0
	Total Department of Agriculture	1,918,689,288	354,568,254
Department of Commerce			
	Economic Development Cluster:		
11.307	Economic Adjustment Assistance	83,258	0
	Total Economic Development Cluster	83,258	0
11.468	Applied Meteorological Research	111,000	111,000
11.555	Public Safety Interoperable Communications Grant Program	4,935,124	854,594
11.558	ARRA - State Broadband Data and Development Grant Program	71,598	15,146
	Total Department of Commerce	5,200,980	980,740
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	503,356	0
12.UNKNOWN	Troops to Teachers	74,743	5,187
12.112	Payments to States in Lieu of Real Estate Taxes	1,567,211	1,567,211
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	775,767	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	54,883,268	0
12.401	ARRA - National Guard Military Operations and Maintenance (O&M) Projects	27,585	0
	Total Department of Defense	57,831,930	1,572,398
Department of Housing and Urban Development			
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	59,438,584	57,902,963
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	1,455,604	1,306,509
	Total CDBG - State-Administered CDBG Cluster	60,894,188	59,209,472
14.231	Emergency Shelter Grants Program	1,476,639	1,476,639
14.238	Shelter Plus Care	9,472,332	9,400,024
14.241	Housing Opportunities for Persons with AIDS	413,584	413,584
14.257	ARRA - Homelessness Prevention and Rapid Rehousing Program	2,594,794	2,594,794
14.401	Fair Housing Assistance Program - State and Local	629,900	0
14.416	Education and Outreach Initiatives	80,456	0
	Total Department of Housing and Urban Development	75,561,893	73,094,513
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	224,789	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,726,138	1,779,919
15.255	Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation	21,249	0
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	8,380,389	0
15.611	Wildlife Restoration	10,117,830	0
	Total Fish and Wildlife Cluster	18,498,219	0
15.608	Fish and Wildlife Management Assistance	35,469	0
15.615	Cooperative Endangered Species Conservation Fund	20,830	0
15.622	Sportfishing and Boating Safety Act	271,029	0



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YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.623	North American Wetlands Conservation Fund	630,636	0
15.633	Landowner Incentive Program	339,583	0
15.634	State Wildlife Grants	1,486,188	0
15.656	ARRA - Habitat Enhancement, Restoration and Improvement	131,954	131,954
15.807	Earthquake Hazards Reduction Program	58,273	0
15.808	U.S. Geological Survey - Research and Data Collection	18,282	0
15.810	National Cooperative Geologic Mapping Program	109,025	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	13,580	0
15.904	Historic Preservation Fund Grants-In-Aid	1,094,176	224,665
15.916	Outdoor Recreation - Acquisition, Development and Planning	271,035	146,640
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	340,170	0
Total Department of the Interior		26,290,625	2,283,178
Department of Justice			
16.UNKNOWN	Domestic Cannabis Eradication	344,488	0
16.017	Sexual Assault Services Formula Program	118,135	106,904
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	180,379	0
16.523	Juvenile Accountability Block Grants	978,188	858,437
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	935,316	782,886
16.548	Title V - Delinquency Prevention Program	26,822	26,822
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	392,786	392,786
16.575	Crime Victim Assistance	6,635,276	6,440,688
16.576	Crime Victim Compensation	3,043,233	3,043,233
16.585	Drug Court Discretionary Grant Program	34,237	0
16.588	Violence Against Women Formula Grants	1,989,009	1,871,909
16.588	ARRA - Violence Against Women Formula Grants	1,098,821	1,074,198
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	31,230	4,899
16.593	Residential Substance Abuse Treatment for State Prisoners	120,544	120,544
16.606	State Criminal Alien Assistance Program	208,953	0
16.610	Regional Information Sharing Systems	5,716,519	5,716,519
16.710	Public Safety Partnership and Community Policing Grants	6,019,227	1,910,428
16.726	Juvenile Mentoring Program	292,953	279,495
16.727	Enforcing Underage Drinking Laws Program	121,754	98,243
16.734	Special Data Collections and Statistical Studies	13,015	0
JAG Program Cluster:			
16.738	Edward Byrne Memorial Justice Assistance Grant Program	6,529,198	5,799,781
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	3,074,585	2,898,675
Total JAG Program Cluster		9,603,783	8,698,456
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	57,766	0
16.741	Forensic DNA Backlog Reduction Program	674,692	0
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	24,522	22,592
16.746	Capital Case Litigation	93,588	0
16.801	ARRA - State Victim Assistance Formula Grant Program	88,497	84,616
16.810	ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	1,382,667	21,462
16.812	Second Chance Act Prisoner Reentry Initiative	89,991	0
16.816	John R. Justice Prosecutors and Defenders Incentive Act	126,409	126,409
Total Department of Justice		40,442,800	31,681,526
Department of Labor			
17.002	Labor Force Statistics	1,199,922	0
17.005	Compensation and Working Conditions	201,043	0

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CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	14,204,287	57,070
17.801	Disabled Veterans' Outreach Program (DVOP)	992,057	0
17.804	Local Veterans' Employment Representative Program	2,568,829	0
	Total Employment Service Cluster	17,765,173	57,070
17.225	Unemployment Insurance	1,761,445,147	0
17.225	ARRA - Unemployment Insurance	6,875,870	0
17.235	Senior Community Service Employment Program	29,749	29,749
17.235	ARRA - Senior Community Service Employment Program	3,716,045	3,613,559
17.245	Trade Adjustment Assistance	14,284,639	0
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	15,386,027	13,797,099
17.258	ARRA - Workforce Investment Act - Adult Program	1,462,902	1,275,135
17.259	Workforce Investment Act - Youth Activities	16,396,870	15,817,432
17.259	ARRA - Workforce Investment Act - Youth Activities	1,366,420	840,586
17.260	Workforce Investment Act - Dislocated Workers	5,427,854	3,573,004
17.260	ARRA - Workforce Investment Act - Dislocated Workers	8,708,789	6,821,283
17.277	Workforce Investment Act - National Emergency Grants	1,008,111	910,739
17.278	Workforce Investment Act - Dislocated Workers Formula Grants	15,949,696	14,646,043
	Total WIA Cluster	65,706,669	57,681,321
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	10,709	10,576
17.266	Work Incentive Grants	30,613	30,613
17.267	Incentive Grants - WIA Section 503	395,536	165,059
17.271	Work Opportunity Tax Credit Program (WOTC)	496,524	0
17.273	Temporary Labor Certification for Foreign Workers	44,066	0
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1,788,563	1,307,560
17.504	Consultation Agreements	1,127,065	0
17.505	OSHA Data Initiative	44,040	0
17.600	Mine Health and Safety Grants	303,312	0
	Total Department of Labor	1,875,464,685	62,895,507
Department of Transportation			
20.UNKNOWN	National Highway Traffic Safety Administration	17,579	0
20.106	Airport Improvement Program	12,866,282	12,611,833
20.106	ARRA - Airport Improvement Program	134,495	134,495
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	1,222,081,225	120,262,260
20.205	ARRA - Highway Planning and Construction	236,314,850	65,796,478
	Total Highway Planning and Construction Cluster	1,458,396,075	186,058,738
20.217	Motor Carrier Safety	3,207,550	439,723
20.218	National Motor Carrier Safety	1,131,174	1,022,514
20.231	Performance and Registration Information Systems Management	209,440	0
20.237	Commercial Vehicle Information Systems and Networks	235,407	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	49,783	0
20.314	Railroad Development	351,558	351,558
20.317	Capital Assistance to States - Intercity Passenger Rail Service	929	929
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	5,681,875	5,648,100
	Total Federal Transit Cluster	5,681,875	5,648,100
20.505	Metropolitan Transportation Planning	5,008,056	4,803,236
20.509	Formula Grants for Other Than Urbanized Areas	13,543,728	12,992,992

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CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	2,272,548	2,272,548
	Transit Services Programs Cluster:		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,830,939	1,688,822
20.516	Job Access - Reverse Commute	1,371,051	1,371,051
20.521	New Freedom Program	347,852	347,852
	Total Transit Services Programs Cluster	3,549,842	3,407,725
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	4,319,341	3,420,921
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,315,857	2,186,550
20.610	State Traffic Safety Information System Improvement Grants	476,316	366,714
20.611	Incentive Grant Program to Prohibit Racial Profiling	58,878	58,878
20.612	Incentive Grant Program to Increase Motorcyclist Safety	198,533	1,300
20.613	Child Safety and Child Booster Seats Incentive Grants	614,119	142,273
	Total Highway Safety Cluster	7,983,044	6,176,636
20.607	Alcohol Open Container Requirements	7,914,230	3,748,865
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	48,854	9,843
20.700	Pipeline Safety Program Base Grants	569,860	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	252,700	127,453
20.721	PHMSA Pipeline Safety Program One Call Grant	8,333	0
20.816	America's Marine Highway Grants	65,492	62,492
	Total Department of Transportation	1,523,498,834	239,869,680
	Equal Employment Opportunity Commission		
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	589,570	0
	Total Equal Employment Opportunity Commission	589,570	0
	General Services Administration		
39.003	Donation of Federal Surplus Personal Property	1,877,242	1,559,794
39.011	Election Reform Payments	860,921	859,005
	Total General Services Administration	2,738,163	2,418,799
	National Foundation on the Arts and the Humanities		
45.025	Promotion of the Arts - Partnership Agreements	793,948	495,109
45.025	ARRA - Promotion of the Arts - Partnership Agreements	46,186	46,186
45.301	Museums for America	70,284	0
45.310	Grants to States	3,594,318	2,040,533
45.312	National Leadership Grants	15,548	0
	Total National Foundation on the Arts and the Humanities	4,520,284	2,581,828
	Department of Veterans Affairs		
64.005	Grants to States for Construction of State Home Facilities	2,137,869	0
64.005	ARRA - Grants to States for Construction of State Home Facilities	5,465,157	0
64.015	Veterans State Nursing Home Care	46,605,652	0
64.024	VA Homeless Providers Grant and Per Diem Program	504,718	504,718
64.124	All-Volunteer Force Educational Assistance	643,983	0
64.203	State Cemetery Grants	2,640,941	0
	Total Department of Veterans Affairs	57,998,320	504,718
	Environmental Protection Agency		
66.032	State Indoor Radon Grants	157,525	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	722,600	103,814
66.039	National Clean Diesel Emissions Reduction Program	965,403	666,317
66.039	ARRA - National Clean Diesel Emissions Reduction Program	746,419	399,376
66.040	State Clean Diesel Grant Program	442,774	235,662

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CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
66.040	ARRA - State Clean Diesel Grant Program	768,944	750,790
66.180	Chemical Emergency Preparedness and Prevention Technical Assistance	124	0
66.202	Congressionally Mandated Projects	121,540	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	188,136	0
66.433	State Underground Water Source Protection	144,135	0
66.454	Water Quality Management Planning	364,478	141,075
66.454	ARRA - Water Quality Management Planning	626,457	302,884
66.458	Capitalization Grants for Clean Water State Revolving Funds	4,897,404	4,371,898
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	69,617,178	67,822,442
66.460	Nonpoint Source Implementation Grants	2,212,105	1,110,297
66.461	Regional Wetland Program Development Grants	266,882	162,317
66.468	Capitalization Grants for Drinking Water State Revolving Funds	6,868,557	2,423,113
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	18,374,660	17,464,452
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	359,845	272,721
66.474	Water Protection Grants to the States	65,565	0
66.605	Performance Partnership Grants	16,892,153	506,681
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	497,614	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	237,042	0
66.709	Multi-Media Capacity Building Grants for States and Tribes	251,043	0
66.714	Regional Agricultural IPM Grants	255	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,574,279	323,484
66.804	Underground Storage Tank Prevention, Detection, and Compliance Program	762,825	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,434,500	164,062
66.805	ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	153,218	152,583
66.810	Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program	4,636	0
66.817	State and Tribal Response Program Grants	1,196,662	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	132,548	0
66.940	Environmental Policy and State Sustainability Grants	71,618	0
Total Environmental Protection Agency		131,119,124	97,373,968
Department of Energy			
81.039	National Energy Information Center	2,778	0
81.041	State Energy Program	396,138	9,965
81.041	ARRA - State Energy Program	17,490,505	13,223,584
81.042	Weatherization Assistance for Low-Income Persons	3,871,260	3,519,663
81.042	ARRA - Weatherization Assistance for Low-Income Persons	52,142,736	50,853,031
81.087	ARRA - Renewable Energy Research and Development	23,131	0
81.089	Fossil Energy Research and Development	91,774	0
81.092	Weldon Springs Site Remedial Action Project	375,456	0
81.104	Office of Environmental Waste Processing	135,373	0
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis	227,632	0
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	188,665	0
81.127	ARRA - Energy Efficient Appliance Rebate Program (EEARP)	2,929,369	2,563,225
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	4,632,610	4,140,645
81.902	State Environmental Oversight and Monitoring	62,926	0
Total Department of Energy		82,570,353	74,310,113
Department of Education			
84.UNKNOWN	Cooperative System Grant	7,155	0
84.002	Adult Education - Basic Grants to States	9,310,800	7,975,554
Title I, Part A Cluster:			
84.010	Title I Grants to Local Educational Agencies	212,302,433	209,486,189
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	62,496,875	62,383,957
Total Title I, Part A Cluster		274,799,308	271,870,146
84.011	Migrant Education - State Grant Program	1,183,669	1,176,666
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,312,392	1,298,599

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CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	216,678,100	195,440,408
84.173	Special Education - Preschool Grants	2,627,599	2,627,599
84.391	ARRA - Special Education - Grants to States, Recovery Act	88,428,528	88,416,882
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	3,165,903	3,165,903
	Total Special Education Cluster (IDEA)	310,900,130	289,650,792
84.032	Federal Family Education Loans	157,472,862	0
84.048	Career and Technical Education - Basic Grants to States	23,362,567	20,782,030
84.069	Leveraging Educational Assistance Partnership	1,286,496	1,286,496
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	60,210,492	0
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	2,449,572	0
	Total Vocational Rehabilitation Cluster	62,660,064	0
84.144	Migrant Education - Coordination Program	14,877	12,027
	Independent Living State Grants Cluster:		
84.169	Independent Living - State Grants	356,162	286,687
	Total Independent Living State Grants Cluster	356,162	286,687
	Independent Living Services for Older Individuals Who Are Blind Cluster:		
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	521,293	0
84.399	ARRA - Independent Living Services for Older Individuals Who Are Blind	62,035	0
	Total Independent Living Services for Older Individuals Who Are Blind Cluster	583,328	0
	Early Intervention Services (IDEA) Cluster		
84.181	Special Education - Grants for Infants and Families	7,907,103	0
84.393	ARRA - Special Education - Grants for Infants and Families, Recovery Act	7,819,327	0
	Total Early Intervention Services (IDEA) Cluster	15,726,430	0
84.185	Byrd Honors Scholarships	878,250	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	2,068,171	1,889,655
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	420,077	0
	Education for Homeless Children and Youth Cluster:		
84.196	Education for Homeless Children and Youth	905,007	897,503
84.387	ARRA - Education for Homeless Children and Youth, Recovery Act	448,001	448,001
	Total Education for Homeless Children and Youth Cluster	1,353,008	1,345,504
84.213	Even Start - State Educational Agencies	1,088,611	1,060,151
84.224	Assistive Technology	410,421	230,818
84.243	Tech-Prep Education	2,022,298	2,021,887
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	52,864	0
84.282	Charter Schools	150,851	148,621
84.287	Twenty-First Century Community Learning Centers	14,796,629	14,533,408
	Educational Technology State Grants Cluster:		
84.318	Educational Technology State Grants	1,841,525	1,731,732
84.386	ARRA - Education Technology State Grants, Recovery Act	2,315,803	2,313,811
	Total Educational Technology State Grants Cluster	4,157,328	4,045,543
84.323	Special Education - State Personnel Development	1,067,492	1,067,492
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	176,968	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	199,051	199,051
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	479,962	0
84.357	Reading First State Grants	2,340,294	2,319,085

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YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.358	Rural Education	3,174,660	2,911,629
84.365	English Language Acquisition Grants	4,107,813	4,107,813
84.366	Mathematics and Science Partnerships	2,735,324	2,730,563
84.367	Improving Teacher Quality State Grants	47,640,978	47,114,140
84.369	Grants for State Assessments and Related Activities	4,920,553	0
84.371	Striving Readers	13,884	11,400
	Statewide Data Systems Cluster:		
84.372	Statewide Data Systems	1,829,510	0
	Total Statewide Data Systems Cluster	1,829,510	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	4,246,140	4,233,397
84.388	ARRA - School Improvement Grants, Recovery Act	10,352,225	8,927,231
	Total School Improvement Grants Cluster	14,598,365	13,160,628
84.378	College Access Challenge Grant Program	925,939	729,535
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	158,217,373	158,217,373
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	71,889,456	71,394,506
	Total State Fiscal Stabilization Fund Cluster	230,106,829	229,611,879
84.410	ARRA - Education Jobs Fund	189,727,725	189,727,725
84.902	National Assessment of Educational Programs	106,022	0
	Total Department of Education	1,390,526,117	1,113,305,524
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	108,891	59,296
	Total National Archives and Records Administration	108,891	59,296
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	1,037,447	339,123
	Total Elections Assistance Commission	1,037,447	339,123
Department of Health and Human Services			
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	59,567	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	98,528	13,843
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	273,241	84,377
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	534,876	534,876
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	8,911,299	7,809,182
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,405,056	11,405,056
93.053	Nutrition Services Incentive Program	4,100,982	4,100,982
	Total Aging Cluster	24,417,337	23,315,220
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	123,380	61,187
93.051	Alzheimer's Disease Demonstration Grants to States	94,852	90,844
93.052	National Family Caregiver Support, Title III, Part E	3,109,534	3,109,534
93.069	Public Health Emergency Preparedness	19,276,490	10,604,276
93.070	Environmental Public Health and Emergency Response	653,010	402,888
93.071	Medicare Enrollment Assistance Program	135,127	128,918
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	43,202	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	34,946	0
93.103	Food and Drug Administration - Research	265,966	0

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,813,746	1,742,051
93.110	Maternal and Child Health Federal Consolidated Programs	474,040	125,061
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	640,522	192,188
93.127	Emergency Medical Services for Children	91,560	8,805
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	230,382	67,927
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	35,049	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	481,845	334,189
93.150	Projects for Assistance in Transition from Homelessness (PATH)	983,224	942,420
93.161	Health Program for Toxic Substances and Disease Registry	49,765	0
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	498,326	212,049
93.230	Consolidated Knowledge Development and Application (KD&A) Program	170,821	24,405
93.234	Traumatic Brain Injury State Demonstration Grant Program	278,824	211,999
93.235	Affordable Care Act (ACA) Abstinence Education Program	500	0
93.240	State Capacity Building	316,824	0
93.241	State Rural Hospital Flexibility Program	324,658	193,375
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	7,449,887	6,345,704
93.251	Universal Newborn Hearing Screening	272,897	116,493
93.259	Rural Access to Emergency Devices Grant	15,450	0
	Immunization Cluster:		
93.268	Immunization Grants	61,517,689	447,800
93.712	ARRA - Immunization	1,586,359	319,089
	Total Immunization Cluster	63,104,048	766,889
93.270	Adult Viral Hepatitis Prevention and Control	37,346	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	7,925,263	2,771,235
93.293	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	100,947	100,947
93.301	Small Rural Hospital Improvement Grant Program	469,576	447,215
93.402	ARRA - State Loan Repayment Program	30,000	30,000
93.414	ARRA - State Primary Care Offices	52,983	0
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	120,915	0
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	77,967	0
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	101,532	0
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	47,805	43,280
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	221,529	0
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	179,544	0
93.556	Promoting Safe and Stable Families	12,503,417	5,641,834
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	171,892,850	3,375,435
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	40,544,082	28,068,253
	Total TANF Cluster	212,436,932	31,443,688
93.563	Child Support Enforcement	32,372,065	15,009,929
93.563	ARRA - Child Support Enforcement	2,731,643	2,477,021
93.566	Refugee and Entrant Assistance - State Administered Programs	2,460,354	0
93.568	Low-Income Home Energy Assistance	79,637,403	28,795,755
	CSBG Cluster:		
93.569	Community Services Block Grant	20,045,141	19,815,637
93.710	ARRA - Community Services Block Grant	7,016,860	7,016,860
	Total CSBG Cluster	27,062,001	26,832,497

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	53,869,183	2,654,406
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	58,926,961	0
93.713	ARRA - Child Care and Development Block Grant	28,823,744	0
	Total CCDF Cluster	141,619,888	2,654,406
93.576	Refugee and Entrant Assistance - Discretionary Grants	278,854	65,348
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	91,954	0
93.586	State Court Improvement Program	582,447	0
93.590	Community-Based Child Abuse Prevention Grants	612,481	610,756
93.597	Grants to States for Access and Visitation Programs	591,278	0
93.599	Chafee Education and Training Vouchers Program (ETV)	1,038,395	0
	Head Start Cluster:		
93.600	Head Start	126,496	126,496
93.708	ARRA - Head Start	19,057	15,032
	Total Head Start Cluster	145,553	141,528
93.617	Voting Access for Individuals with Disabilities - Grants to States	281,349	201,956
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,405,797	635,604
93.643	Children's Justice Grants to States	513,810	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	396,591	0
93.652	Adoption Opportunities	366,509	0
93.658	Foster Care - Title IV-E	53,098,125	0
93.658	ARRA - Foster Care - Title IV-E	1,463,765	0
93.659	Adoption Assistance	31,319,271	0
93.659	ARRA - Adoption Assistance	2,189,063	0
93.667	Social Services Block Grant	63,088,776	6,069,031
93.669	Child Abuse and Neglect State Grants	226,133	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,688,659	0
93.674	Chafee Foster Care Independence Program	6,434,766	0
93.717	ARRA - Preventing Healthcare-Associated Infections	28,663	0
93.719	ARRA - State Grants to Promote Health Information Technology	2,544,217	0
93.723	ARRA - Prevention and Wellness - State, Territories and Pacific Islands	724,381	700,118
93.724	ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding	77,040	71,661
93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	253,586	253,586
93.767	Children's Health Insurance Program	106,598,391	0
	Medicaid Cluster:		
93.720	ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	203,548	0
93.775	State Medicaid Fraud Control Units	1,248,291	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	16,896,472	0
93.778	Medical Assistance Program	5,207,152,499	511,409
93.778	ARRA - Medical Assistance Program	648,830,108	0
	Total Medicaid Cluster	5,874,330,918	511,409
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	2,377,390	1,086,173
93.790	Alternate Non-Emergency Service Providers or Networks	200,246	0
93.791	Money Follows the Person Rebalancing Demonstration	5,040,474	3,432,153
93.889	National Bioterrorism Hospital Preparedness Program	8,396,437	6,458,178
93.913	Grants to States for Operation of Offices of Rural Health	161,823	4,148
93.917	HIV Care Formula Grants	15,059,081	14,732,387
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,699,952	190,875
93.940	HIV Prevention Activities - Health Department Based	4,088,530	2,475,708
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human		



STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Immunodeficiency Virus (HIV) Infection in Selected Population Groups	417,431	129,266
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	723,203	299,739
93.945	Assistance Programs for Chronic Disease Prevention and Control	59	0
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	197,301	43,943
93.958	Block Grants for Community Mental Health Services	6,040,486	5,693,458
93.959	Block Grants for Prevention and Treatment of Substance Abuse	24,160,575	22,124,555
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,086,926	217,917
93.991	Preventive Health and Health Services Block Grant	2,230,152	432,794
93.994	Maternal and Child Health Services Block Grant to the States	10,714,897	5,698,605
	Total Department of Health and Human Services	6,881,507,269	238,158,221
Corporation for National and Community Service			
94.003	State Commissions	303,683	0
94.004	Learn and Serve America - School and Community Based Programs	476,180	0
94.006	AmeriCorps	3,456,365	3,442,017
94.006	ARRA - AmeriCorps	191,468	191,468
94.007	Program Development and Innovation Grants	25,672	25,672
94.009	Training and Technical Assistance	83,848	9,448
	Total Corporation for National and Community Service	4,537,216	3,668,605
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	42,305,567	0
	Total Disability Insurance/SSI Cluster	42,305,567	0
	Total Social Security Administration	42,305,567	0
Department of Homeland Security			
97.005	State and Local Homeland Security National Training Program	879,931	689,245
97.008	Non-Profit Security Program	65,253	65,253
97.012	Boating Safety Financial Assistance	1,844,871	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	735,321	735,321
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	210,609	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	47,596,522	44,404,293
97.039	Hazard Mitigation Grant	10,744,905	10,534,421
97.041	National Dam Safety Program	160,849	0
97.042	Emergency Management Performance Grants	3,622,006	3,622,006
97.045	Cooperating Technical Partners	3,082,391	0
97.047	Pre-Disaster Mitigation	261,346	261,346
97.052	Emergency Operations Center	490,347	490,347
97.055	Interoperable Emergency Communications	298,546	225,870
97.056	Port Security Grant Program	219,650	0
	Homeland Security Cluster:		
97.067	Homeland Security Grant Program	30,675,992	26,469,367
	Total Homeland Security Cluster	30,675,992	26,469,367
97.075	Rail and Transit Security Grant Program	26,946	26,946
97.078	Buffer Zone Protection Program (BZPP)	232,809	231,084
97.082	Earthquake Consortium	43,493	0
97.091	Homeland Security Biowatch Program	424,635	351,875
97.092	Repetitive Flood Claims	266,360	266,360
	Total Department of Homeland Security	101,882,782	88,373,734
		<u>\$ 14,227,651,365</u>	<u>2,390,398,769</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the 2011 OMB Circular A-133 Compliance Supplement. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA-" in the name of the federal program.

The accompanying schedule includes all federal financial assistance administered by the state of Missouri, except for those programs administered by public universities and other component units and related organizations which are legally separate from the state of Missouri. Federal financial assistance provided to public universities and other component units and related organizations has been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2011, Type A programs are those which exceed \$30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the ARRA. The portion of total expenditures for SNAP benefits that is supported by ARRA funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents The U.S. Department of Agriculture (USDA) from obtaining the regular and ARRA components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to ARRA funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, the state cannot validly disaggregate the regular and ARRA components of its reported expenditures for SNAP benefits. At the national aggregate level, however, ARRA funds account for approximately 16.55 percent of the USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

3. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling \$33,722,782, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children program (WIC) (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$1,715,927,229. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling \$34,713,554, have also been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund

from other states for benefits paid by the State of Missouri, totaling \$10,285,377, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was \$3,066,258,526 as of June 30, 2011. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the DHE was \$327,341,060 as of June 30, 2011.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled \$24,461,088.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Surplus Property program (CFDA No. 12.AAG). Property distributions totaled \$2,125,657 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost (\$503,356), which approximates the fair market value of the property at the time of distribution.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled \$7,927,542 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost (\$1,877,242), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Grants Cluster (CFDA No. 93.268 and 93.712). Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$58,602,603.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weaknesses identified?   x   yes        no
- Significant deficiencies identified that are not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements noted?        yes   x   no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?   x   yes        no
- Significant deficiencies identified that are not considered to be material weaknesses?   x   yes

Type of auditor's report issued on compliance for major program(s): Qualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?   x   yes        no

The following programs were audited as major programs:

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program

JAG Program Cluster:

16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
17.225	Unemployment Insurance

17.225 ARRA - Unemployment Insurance

Highway Planning and Construction Cluster:

20.205 Highway Planning and Construction

20.205 ARRA - Highway Planning and Construction

64.005 Grants to States for Construction of State Home Facilities

64.005 ARRA - Grants to States for Construction of State Home Facilities

66.458 Capitalization Grants for Clean Water State Revolving Funds

66.458 ARRA - Capitalization Grants for Clean Water State Revolving Funds

66.468 Capitalization Grants for Drinking Water State Revolving Funds

66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Funds

81.041 State Energy Program

81.041 ARRA - State Energy Program

81.042 Weatherization Assistance for Low-Income Persons

81.042 ARRA - Weatherization Assistance for Low-Income Persons

Title I, Part A Cluster:

84.010 Title I Grants to Local Educational Agencies

84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act

Special Education Cluster (IDEA):

84.027 Special Education - Grants to States

84.173 Special Education - Preschool Grants

84.391 ARRA - Special Education - Grants to States, Recovery Act

84.392 ARRA - Special Education - Preschool Grants, Recovery Act

84.032 Federal Family Education Loans

Early Intervention Services (IDEA) Cluster:

84.181 Special Education - Grants for Infants and Families

84.393 ARRA - Special Education - Grants for Infants and Families, Recovery Act

School Improvements Grants Cluster:

84.377 School Improvement Grants

84.388 ARRA - School Improvement Grants, Recovery Act

State Fiscal Stabilization Fund Cluster:

84.394 ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

84.397 ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

84.410 ARRA - Education Jobs Fund

TANF Cluster:

93.558 Temporary Assistance for Needy Families

93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program

CCDF Cluster:

- 93.575 Child Care and Development Block Grant
- 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
- 93.713 ARRA - Child Care and Development Block Grant
- 93.659 Adoption Assistance
- 93.659 ARRA - Adoption Assistance
- 93.667 Social Services Block Grant
- 93.767 Children's Health Insurance Program

Medicaid Cluster:

- 93.720 ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative
- 93.775 State Medicaid Fraud Control Units
- 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
- 93.778 Medical Assistance Program
- 93.778 ARRA - Medical Assistance Program
- 93.959 Block Grants for Prevention and Treatment of Substance Abuse

Disability Insurance/SSI Cluster:

- 96.001 Social Security - Disability Insurance
- 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Homeland Security Cluster:

- 97.067 Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$30,000,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes      x   no

**Section II - Financial Statement Findings**

<b>2011-1.</b>	<b>Financial Reporting Controls</b>
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The Office of Administration - Division of Accounting (DOA) does not have adequate procedures in place to identify improperly recorded inter-fund and inter-agency transactions. Some transactions were recorded improperly starting in July 2010, and were detected by another division around August 2011. Revenues and expenditures related to these improperly recorded transactions would have been double counted and overstated in the Missouri Comprehensive Annual Financial Report (CAFR) if they had remained undetected. The corrections for the misstatement were made to the CAFR in December 2011.



Data recorded in the SAM II accounting system is a primary source of information used in compiling the CAFR. Policies and procedures for processing transactions in SAM II are designed to allow the DOA to identify and eliminate inter-fund and inter-agency transactions when compiling the CAFR, as required by governmental accounting standards. These policies require state agencies to record inter-agency and inter-fund transactions using inter-agency billing or transfer documents. Recording inter-agency billings and inter-fund transfers correctly provides the transaction information needed by the DOA to identify necessary adjustments.

Beginning in July 2010, the federal Centers for Medicare and Medicaid Services required the state's match portion of certain Medical Assistance Program funds be recorded in SAM II using a more transparent methodology. As a part of this change, the Department of Social Services (DSS) discontinued its previous process of drawing down federal Medical Assistance Program monies directly into the Department of Mental Health (DMH) fund from which the related vendor payments would be made. Instead, the DSS began drawing down the monies into a DSS fund and issuing electronic fund payments to the DMH for both the state and federal portions of the DMH-related Medical Assistance Program claims which created properly recorded revenues and improperly recorded expenditures. The DMH, in turn, began recording these payments as cash receipts when received from the DSS and as expenditures when disbursed to vendors which created improperly recorded revenues and properly recorded expenditures. The improperly recorded transactions, totaling approximately \$184 million during the fiscal year ended June 30, 2011, were not processed in compliance with the policies and procedures noted above, and this change was not discussed with the DOA. As a result, these inter-agency/inter-fund transactions could not be readily detected by the DOA. While these transactions were identified by the Office of Administration - Division of Budget and Planning, before the completion of the CAFR, the DOA does not have procedures in place to identify inter-fund or inter-agency transactions which are not processed in compliance with state policy.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

**WE RECOMMEND** the DOA implement controls which allow for the detection and correction of inter-agency and inter-fund transactions that are not processed in compliance with SAM II policies and procedures.

#### **AUDITEE'S RESPONSE**

*We concur. Starting with the next reporting period, we will begin requesting state agencies to provide us with any inter-fund and inter-agency transactions that are not recorded in the statewide accounting system in accordance with written policies and procedures.*

### Section III - Federal Award Findings and Questioned Costs

**2011-2.**

#### **Cash Management**

Federal Agency: Department of Education  
Federal Program: 84.010 Title I Grants to Local Educational Agencies  
2010 - S010A090025 and 2011 - S010A100025  
84.389 ARRA - Title I Grants to Local Educational Agencies,  
Recovery Act  
2010 - S389A090025  
84.027 Special Education - Grants to States  
2010 - H027A090040 and 2011 - H027A100040  
84.391 ARRA - Special Education - Grants to States, Recovery  
Act  
2010 - H391A090040  
84.394 ARRA - State Fiscal Stabilization Fund - Education State  
Grants, Recovery Act  
2010 - S394A090026  
84.397 ARRA - State Fiscal Stabilization Fund - Government  
Services, Recovery Act  
2010 - S397A090026  
84.410 ARRA - Education Jobs Fund  
2011 - S410A100026  
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not always ensure subrecipients spent grant funds received within 3 days of receipt as required. Grant funds for the programs noted above totaling approximately \$933 million were provided to school districts during fiscal year 2011.

The school districts typically submit payment requests to the DESE for Title I and Special Education grants for program expenditures already made or expected to be made shortly. Each school district was also allocated State Fiscal Stabilization Fund (SFSF) monies at the beginning of the fiscal year based on the basic school funding formula, and the funds were disbursed to each school district monthly. However, monthly SFSF payments were suspended in December 2010 by the DESE in anticipation of receiving Education Jobs Fund grant monies. The Education Jobs Fund allocation was determined based on the percentage of basic formula funds allocated to each school district. The school districts received a onetime payment for the Education Jobs Fund grant monies in May 2011. The DESE requires school districts receiving federal funds to indicate the funds have already been spent or will be spent within 3 days of receipt, to help ensure compliance with federal Cash Management Improvement Act (CMIA) requirements to minimize the time elapsing between receipt and disbursement of federal funds.

The DESE has provided guidance regarding the CMIA requirements to the school districts through its website, administrative memos, and training sessions. When

requesting payments for Title I and Special Education funds, school districts are required to certify the funds have been or will be expended within 3 days of receipt. The SFSF application for funding also provides guidance to the school districts regarding the CMIA requirements. The DESE also performs annual monitoring reviews of the Title I, Special Education, and SFSF programs to ensure the schools districts are expending the funds timely as required.

We reviewed a payment of each grant (Title I, Special Education, and SFSF) to 25 school districts totaling approximately \$9.7 million. We requested the school districts provide documentation to support these payments, and we identified 14 school districts did not expend over \$1.5 million related to 16 of these payments within 3 days of receipt. These grant funds were expended by these school districts 4 to 206 days after receipt. Of the 14 school districts, the DESE performed monitoring on the SFSF funds for 3 of the school districts. The DESE did have cash management findings for all three of those school districts and developed corrective action plans to address the issues.

We also reviewed Education Jobs Fund payments to 25 school districts totaling approximately \$10.7 million. We requested the school districts provide documentation to support the payments, and we identified 15 school districts did not expend almost \$3.8 million of these grant funds within 3 days of receipt as required. These grant funds were expended by these school districts 4 to 45 days after receipt. The DESE had not yet performed monitoring of the Education Jobs Fund payments at the time of our review.

The five ARRA programs are no longer active, since program funds were required to be fully spent by January 3, 2012.

In addition to requiring recipients to establish procedures to minimize the time elapsing between receipt and disbursement of federal funds, OMB Circular A-133, Compliance Supplement Part 3, requires recipients (the DESE) to establish similar procedures for its subrecipients when funds are drawn in advance, rather than as a reimbursement. It also requires the DESE to monitor cash drawdowns by its subrecipients to ensure subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

**WE RECOMMEND** the DESE utilize the problems identified during monitoring visits to provide feedback and additional guidance to all schools receiving funding. The DESE should consider additional targeted monitoring procedures or other alternatives to ensure school districts expend funds received within the required time-frame.

### **AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

Federal Agency: Department of Education  
Federal Program: 84.010 Title I Grants to Local Educational Agencies  
2010 - S010A090025 and 2011 - S010A100025  
84.389 ARRA - Title I Grants to Local Educational Agencies,  
Recovery Act  
2010 - S389A090025  
84.027 Special Education - Grants to States  
2010 - H027A090040 and 2011 - H027A100040  
84.391 ARRA - Special Education - Grants to States, Recovery  
Act  
2010 - H391A090040  
84.388 ARRA - School Improvement Grants, Recovery Act  
2010 - S388A090026  
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not timely monitor School Improvement Grant (SIG) program funds provided to school districts from the ARRA. In addition, the DESE could improve some subrecipient monitoring policies and procedures.

A. The DESE did not monitor the SIG monies provided to school districts on a timely basis to ensure compliance with federal guidelines. Although minimal amounts of ARRA SIG funds were expended in fiscal year 2010, significant funds were disbursed to school districts in fiscal year 2011. ARRA SIG monies totaling approximately \$8.9 million were provided to 15 school districts during fiscal year 2011. These program funds must be spent by December 30, 2013.

- 1) Although the DESE began expending fiscal year 2011 ARRA SIG monies in October 2010, the DESE did not perform a risk analysis of these funds, or begin monitoring procedures until November 2011. The DESE created a self-monitoring checklist for subrecipients in October 2011. The DESE requested the 15 school districts that received ARRA SIG funds during fiscal year 2011 to complete and submit the self-monitoring checklists in November 2011. The DESE plans to review these checklists in December 2011 and request additional documentation from the school districts if questions arise during the review. In addition, the DESE plans to perform on-site monitoring reviews of at least three school districts in January 2012. The school districts will be selected by size, risk, and at random, but more than one district could be selected from each category by the DESE for review.

OMB Circular A-133, section .400(d)(3), requires the DESE to monitor subrecipients through reporting, site visits, regular contact, or other means "...to ensure Federal awards are used for authorized purposes in

compliance with laws, regulations, and the provisions of contracts and grant agreements and performance goals are achieved." Given the additional federal requirements related to these ARRA funds and heightened federal expectations of transparency and accountability, more comprehensive and timely monitoring procedures appear needed. While current review procedures performed only after the conclusion of the fiscal year may be acceptable for existing ongoing programs, they may not be adequate for the additional temporary ARRA funds. Without adequate and timely monitoring of ARRA funds, noncompliance with federal guidelines is unlikely to be detected in a timely manner and will not allow corrective action by the DESE before funds are substantially expended.

- 2) The DESE could improve controls and procedures to ensure ARRA Section 1512 reports are complete and accurate for the SIG program. Improvements were made to Section 1512 report review procedures for other DESE federal programs since the fiscal year 2010 audit. However, due to the timing of the SIG program expenditures and the DESE's current monitoring process, some reporting elements for the SIG program had not been reviewed for accuracy and completeness.

Section 1512 of the ARRA requires comprehensive reporting of certain ARRA awards to promote transparency and accountability over such funds. This section requires various data elements to be reported on a quarterly basis detailing the use of ARRA funds. Quarterly, school districts submit data specific for Section 1512 reporting through an online reporting system administered by the DESE. Some elements submitted by the school districts, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated from prior quarters, requiring little oversight by the DESE on a quarterly basis. For other elements, DESE personnel review information submitted for reasonableness, and compare expenditure data to SAMII and revenue data to drawdown reports; however, the DESE relies on the accuracy and completeness of much of the other information submitted by the school districts, such as jobs created or retained and vendor payments, for each quarterly report. According to DESE personnel, on-site monitoring of the ARRA funding received by the subrecipients will include verification of Section 1512 reporting elements; however, as stated in part A.1. above, those reviews were not scheduled to begin until January 2012.

OMB Memorandum M09-21 states the DESE, as prime recipient, is ultimately responsible for reporting of all data required by Section 1512 of the ARRA. Additionally, prime recipients, as owners of the data submitted, have the principal responsibility for the quality of information submitted. Without timely monitoring procedures in place over

subrecipient data, the DESE has less assurance information included in the Section 1512 reports is complete and accurate.

- B. The DESE could improve policies and procedures in place to ensure a sufficient number and amount of expenditures are reviewed and could better ensure actual expenditures reviewed during on-site visits are adequately documented.

The DESE has on-site monitoring policies in place for the Title I and Special Education programs; however, the policies do not set standards for the number or amount of expenditures to be reviewed or how the expenditures will be selected. Further, the policies do not require documentation of the items selected. On-site monitoring of the Title I and Special Education programs includes reviewing the school district's general ledger for every program expenditure for the fiscal year under review up through the date of the monitoring visit. In addition, for Special Education programs, the DESE selects a few expenditures to look at in more detail to determine allowability and reasonableness, but the specific expenditures selected are not adequately documented in the monitoring file.

Standardized procedures for selection and documentation of expenditures reviewed would help ensure on-site monitoring reviews are consistently performed and meet DESE's expectations.

**WE RECOMMEND** the DESE:

- A. Perform subrecipient monitoring procedures of SIG ARRA expenditures and pertinent Section 1512 reporting data elements on a timely basis and utilize the problems identified during monitoring visits to provide feedback and additional guidance to all the school districts receiving funding.
- B. Update on-site monitoring policies and procedures related to expenditure selection methodology and documentation.

**AUDITEE'S RESPONSE**

*A&B. We disagree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

<b>2011-4. Medicaid Home and Community Based Services</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program
	2010 - 1005MO5MAP and 1005MO5ADM
	2011 - 1105MO5MAP and 1105MO5ADM
	93.778 ARRA - Medical Assistance Program
	2009 - 0905MOARRA

2010 - 1005MOARRA

2011 - 1105MOARRA

2011 - 1105MOEXTN

State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)

Questioned Costs: \$392,059

As noted in the prior audit, the DSDS does not have effective controls in place to ensure annual reassessments are performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. As a result, sufficient procedures have not been performed to ensure most HCBS recipients have a need for and are receiving the appropriate level of care. In addition, the DSDS could not locate documentation supporting the authorization of services provided to one HCBS recipient tested.

The DSDS is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for seniors and adults with disabilities, including the two largest programs, State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid program is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DSDS is charged with assessing and reassessing the need for, and authorizing HCBS services for these Medicaid recipients. These services, which are authorized in a plan of care, provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2011, approximately 55,000 recipients were provided HCBS totaling approximately \$500 million.

Prior to May 2011, assessments, reassessments, and plans of care were prepared by DSDS staff and HCBS providers. Due to staff reductions in the last several years, DSDS staff have been unable to handle the HCBS caseload, and backlogs of initial assessments, reassessments, and care plan changes increased. In January 2010, an external consultant performed a review of state Medicaid costs associated with long term care and found the practice by the DSDS of allowing HCBS providers to perform assessments and draft care plans provided an inherent conflict of interest. The consultant recommended the assessments and care plans be performed by an objective party, such as a third party administrator.

To increase objectivity and decrease backlogs, in January 2011, the DHSS, through the Office of Administration, contracted with an assessment administrator to perform referral, prescreening, assessment/reassessment, and care plan maintenance services for HCBS programs. The assessment administrator began providing these services in May 2011; however, the administrator was unable to perform the required services in a timely manner. Due to breach of contract requirements by the administrator, the DHSS canceled

the contract in September 2011. Since then, the DHSS has hired approximately 100 temporary staff to perform the various case management duties which were provided by the contracted assessment administrator from May to August 2011. DHSS officials indicated as of November 30, 2011, division staff have resolved the assessment administrator's backlog of initial assessments and performed the highest priority care plan changes and reassessments. DHSS officials indicated while they believe current staff levels are sufficient to perform referral, prescreening, and initial assessment duties on a timely basis and to continue to resolve the backlog of needed care plan changes, the division does not have enough staff to resolve the backlog of reassessments. According to DSDS officials, as of December 31, 2011, reassessments were due for almost 36,000 Medicaid HCBS recipients, and an average of only 280 reassessments per month had been performed since September 2011.

In the fiscal year 2013 budget proposal, the Governor has recommended funding to convert 90 of the temporary DSDS staff to regular positions to continue performing call center, initial assessment, and care plan maintenance functions and to pay HCBS providers to perform annual reassessments. The reassessments would be reviewed and entered into the HCBS computer system by DSDS staff.

We tested assessment and payment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2011. Payments totaling \$692,956 were made to SPPC and ADW providers on behalf of these recipients during this period. We noted the following:

- A. The DSDS did not perform annual reassessments of eligibility for 46 of 59 (78 percent) recipients reviewed. The most recent reassessment for the majority of these recipients was completed 2 to 5 years ago. As a result, the DSDS could not demonstrate these 46 recipients needed the services for which the payments were made. The payments for SPPC and ADW services provided to these recipients without annual reassessments during the year ended June 30, 2011, totaled \$534,219. We question the federal share of \$387,576 (72.55 percent).

Although the fiscal year 2013 budget proposal represents the DSDS current plan to resolve the backlog of reassessments due, the plan allows HCBS providers to perform reassessments for their own clients. As earlier identified by the division's external consultant, allowing HCBS providers to conduct the reassessments presents a potential conflict of interest and increases the risk that unnecessary services are authorized and provided. DSDS officials indicated they are currently developing oversight and monitoring procedures to ensure reassessments performed by HCBS providers, and any resulting care plan changes, are accurate and reasonable.

The failure to perform annual reassessments as required can result in payments for services which are not necessary. Federal regulation 42 CFR Section 441.302(c) requires a reassessment of the need for services at least annually to ensure ADW recipients continue to need the level of care provided. Similarly, the Cooperative



Agreement between the DSS and the DHSS provides for periodic reassessments of SPPC and ADW services to ensure the continued necessity for, and appropriateness and adequacy of, the services. The DSDS Home and Community Services Case Management Manual, Section 1606.20, provides that the reassessment be completed at least annually to establish continued eligibility for services, ensure adequacy of the care plan, and determine the level of client satisfaction of the provider and service delivery. In addition, due to the significant risks associated with the proposed new reassessment process, it is imperative the DSDS develop and implement thorough provider monitoring procedures. These procedures should include a detailed review of each reassessment and verification of reassessments on a test basis, and require prompt corrective action when provider deficiencies are identified.

- B. The DSDS could not locate the case file for 1 of 60 (2 percent) recipients tested. This recipient received HCBS services totaling \$13,587 from January 2009 through June 30, 2011. Payments totaling \$6,179 were made to SPPC and ADW providers on behalf of this recipient during the year ended June 30, 2011. We question the federal share of \$4,483 (72.55 percent).

The DSDS Home and Community Services Case Management Manual, Section 1606.60, requires case files containing assessments, reassessments, plans of care, and other pertinent documents supporting the assessment of need for and authorization of HCBS, be maintained for all recipients. Without maintaining case files for each recipient, the DSDS is unable to demonstrate compliance with federal requirements and that each recipient was properly authorized for HCBS.

**WE RECOMMEND** the DHSS, through the DSDS, resolve the questioned costs with the grantor agency and:

- A. Establish effective controls to ensure the annual reassessments are performed as required. Such controls should include diligent monitoring of reassessments, if any, performed by HCBS providers.
- B. Ensure case files are maintained for all HCBS recipients.

### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.*

Federal Agency: Department of Education  
Federal Program: 84.394 ARRA - State Fiscal Stabilization Fund - Education State  
Grants, Recovery Act  
2010 - S394A090026  
State Agency: Department of Higher Education (DHE)

Subrecipient monitoring of the State Fiscal Stabilization Fund (SFSF) program was not adequate. While the DHE did make improvements since the fiscal year 2010 audit, the DHE did not ensure corrective action was taken by Institutions of Higher Education (institutions) when needed. For the year ended June 30, 2011, the DHE disbursed approximately \$41 million of remaining SFSF monies, awarded under the ARRA, to 23 institutions to restore state support. All funds allocated to the DHE for the SFSF program under the ARRA were reported as expended by June 2011.

In January 2011, the DHE contracted with a firm to monitor five institutions for compliance with various federal requirements, such as allowable activities, Single Audit (OMB Circular A-133) requirements, and ARRA Section 1512 reporting. The reviews covered the period July 2009 through December 2010 and approximately \$104 million in expenditures from both fiscal year 2010 and a portion of fiscal year 2011. Reports were issued to the DHE in June 2011, documenting the results of the reviews. The reports included various observations and two of the five reports issued had findings reported, including two findings on the SFSF program resulting from independent Single Audits of the institutions. The DHE did not follow-up on any of the findings or obtain corrective action plans from these institutions. According to DHE personnel, since the funds were already spent by the time the reports were issued, the DHE did not see a reason to follow-up or request corrective action. In January 2012, the DHE contracted out with another firm to perform similar monitoring of an additional five institutions for the period of January 2011 through June 2011.

OMB Circular A-133, Section 400(d)(3) requires the DHE to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements and that performance goals are achieved. Additionally, for findings identified in Single Audits of subrecipients, OMB Circular A-133, Section 400(d)(5) requires the DHE to issue a management decision within six months after receipt of the audit report and ensure subrecipients take appropriate and timely corrective action. Without adequate follow-up procedures, there is less assurance the institutions took corrective action and are in compliance with federal requirements.

**WE RECOMMEND** the DHE follow-up with institutions and request corrective action on any findings noted during subrecipient monitoring reviews. In addition, the DHE should issue a management decision on any findings identified in Single Audits of the institutions relating to the SFSF program.

## **AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned action to address the finding.*

**2011-6.**

### **Benefit Payments**

Federal Agency:	Department of Labor
Federal Program:	17.225 Unemployment Insurance
	2010 - UI-19592-10-55-A-29
	2011 - UI-21109-11-55-A-29
	17.225 ARRA - Unemployment Insurance
	2010 - UI-19592-10-55-A-29
State Agency:	Department of Labor and Industrial Relations (DLIR)
Questioned Costs:	\$189,423

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid. During the year ended June 30, 2011, total federal unemployment insurance benefits paid totaled over \$1.7 billion.

According to 20 CFR Section 601.1, the structure of the Unemployment Insurance (UI) program is based on federal statute; however, it is implemented through state law. The UI program is funded through a combination of employer payroll taxes, employer reimbursements, and federal monies, depending on the types of benefits paid. The ARRA provided additional federal funding for additional weeks of emergency and extended benefits, as well as Federal Additional Compensation (FAC) consisting of \$25 weekly to supplement the unemployment benefits of eligible claimants. Further extension of these programs, which extended the program end dates, were funded with federal general revenues.

A claimant has several levels/types of benefits that can be received depending on eligibility and the timing of the benefits. Regular UI benefits are the first level against which eligible claimants can draw. After regular benefits have been exhausted, a claimant can receive Emergency Unemployment Compensation (EUC) benefits which involves four tiers. Each tier represents additional weeks of benefits that can be claimed and the benefit amount for each tier is computed separately. When triggered during times of high unemployment, a claimant can also receive benefits from the Extended Benefits level after the EUC benefits are exhausted.

- We tested 135 benefit payments, covering the various payment types, made to 42 claimants. We noted errors in the accounts of 2 (5 percent) of these claimants.

Due to a programming error, the computer system did not accurately calculate the maximum benefit amount for Second and Third Tier EUC benefits, resulting in the overpayment of benefits to claimants. The DLIR utilizes a computer system

maintained by both the DLIR and the Office of Administration Information Technology Services Division (ITSD) to calculate benefit payments to and available benefit balances of each claimant. We noted two overpayments totaling \$73, which resulted from formula errors in system programming. UI Program Letter (UIPL) 23-08, Change 5, issued by the Department of Labor indicates Second Tier benefits are computed as the lesser of 14 times the individual's average weekly benefit amount or 54 percent of the individual's maximum benefit amount. Third Tier benefits are computed as the lesser of 13 times the individual's average weekly benefit amount or 50 percent of the individual's maximum benefit amount. However, these two claimants were paid the larger amount instead of the lesser amount. We question the federal share of \$73 for the errors noted during our review.

Although computer programmers were able to generate a listing of potential claimants with possible incorrect maximum benefit amount calculations, DLIR personnel must manually verify the calculations on the listing and were unable to provide an accurate amount of benefits overpaid resulting from this error as of the end of our audit. Procedures should be improved regarding changes made to the computer programs to ensure all changes are properly tested and accurate. Claimant accounts associated with the known questioned costs represented 5 percent (2 of 42) of claimant accounts reviewed. If similar errors were made when computing the maximum benefit amount on the remaining population of claimant accounts, questioned costs could be significant.

- Due to additional programming errors, the computer system generated FAC benefit payments to some claimants after eligibility for the program ended. UIPL 04-10, Change 2 indicates the week ended May 29, 2010, was the deadline to establish FAC eligibility for new claimants. However, 3,574 FAC payments were erroneously issued in June 2010 to new claimants filing for benefits, and approximately 4,000 FAC payments were erroneously issued in November 2010 and December 2010 to new claimants filing for benefits. FAC overpayments relating to these errors totaled approximately \$189,350. DLIR personnel quickly identified these errors and corrective action was taken to correct the computer programming and establish the overpayments. In addition, DLIR personnel indicated they had already recovered some of these overpayments, but were unable to separately identify amounts recovered that were specific to this error. We question the federal share of \$189,350 for the errors noted during our audit.

Computer controls were not sufficient to prevent the overpayments. Procedures should be improved regarding changes made to the computer programs to ensure only accurate and valid payments are issued to claimants.

The errors indicated appear to be the result of a breakdown in amending computer programming for UI program and policy updates and inadequate testing of the programming changes to ensure benefits are properly computed and disbursed. Failure to ensure benefits are properly computed and disbursed during the period of availability can result in federal reimbursements for unallowable costs.

**WE RECOMMEND** the DLIR resolve questioned costs with the grantor agency, and work with the ITSD to reanalyze all changes made recently to the computer programming to determine if there are other issues affecting payments to claimants. In addition, the DLIR should work with the ITSD to ensure programming changes are properly tested and accurate and continue efforts to recover overpayments caused by the programming errors.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

2011-7.	Allowable Costs and Activities
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Federal Agency:	Department of Homeland Security Department of Justice
Federal Program:	16.738 Edward Byrne Memorial Justice Assistance Grant Program 2007 - DJ-BX-0051 2008 - DJ-BX-0731 and DJ-BX-0027 2009 - DJ-BX-0090 2010 - DJ-BX-0066 16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories 2009 - SU-B9-0032 97.067 Homeland Security Grant Program 2006 - GE-T6-0067 2007 - GE-T7-003 2008 - GE-T8-0014 2009 - SS-T9-0062 2010 - SS-T0-0039
State Agency:	Department of Public Safety - Office of the Director (OD)
Questioned Costs:	\$740,054

- A. The OD did not ensure personnel related expenditures were properly supported by salary certifications and approved activity reports for the Homeland Security or the Justice Assistance Grant (JAG) programs.
- 1) Salary certifications were not prepared for the eight employees working solely on the Homeland Security program or the eight employees working solely on the JAG program during the year ended June 30, 2011. Personnel costs charged to the Homeland Security and JAG programs (excluding benefits) for these 16 employees totaled \$372,063 and \$299,224, respectively. We question the federal share of the salary costs for these 16 employees, or \$671,287 (100 percent).

OMB Circular A-87 requires that charges for salaries and related salary costs of employees who work solely on a single federal award or cost objective be supported by periodic certifications that the employees worked solely on that program. These certifications are required to be prepared at least semi-annually and signed by either the employee or a supervisor having specific knowledge of the work performed by the employee. Although OD officials indicated these 16 employees worked solely on either the Homeland Security or JAG programs, without salary certifications, the OD has not fully substantiated the personnel costs charged to these federal programs.

- 2) Documentation of employee and supervisor approval for time worked is not maintained for employees working on multiple activities or cost objectives for the Homeland Security and JAG programs. As a result, the OD cannot substantiate some payroll costs charged to the programs.

Each pay period, OD employees enter the time spent on each federal program into an internal time tracking system. This data is used by OD officials to determine the allocation of payroll costs to various federal programs. However, the time entered is not approved by the employee or the employee's direct supervisor as required. A review of salary costs allocated to the Homeland Security and JAG programs during April 2011 found the OD did not ensure the personnel activity reported for the 23 employees working on multiple programs was approved by the employee or the employee's supervisor. Salary costs (excluding benefits) allocated during April 2011 to the Homeland Security and JAG programs for these 23 employees, totaled \$66,658 and \$2,109, respectively. We question the federal share of these costs, or \$68,767 (100 percent). According to OD personnel, this condition also existed during the other months of fiscal year 2011.

OMB Circular A-87 requires employees working on multiple activities or cost objectives have a distribution of their salaries or wages supported by personnel activity reports or equivalent documentation. These personnel activity reports must account for the total activity for which the employee was compensated and be signed by the employee or supervisor. In addition, for the JAG programs, the Department of Justice requires both the employee and the supervisor having first-hand knowledge of the employee's work to approve the time or effort reports. Without proper approval of personnel activity charged to each program, the OD has not fully substantiated the payroll costs allocated to the federal program.

- B. Expenditure processing and approval duties are not adequately segregated. The OD has two employees with access to both enter and approve their own procurement transactions in SAM II. Under normal circumstances, other employees are involved in the expenditure approval process; however, these two

employees indicated they have entered and approved their own procurement transactions in SAM II on occasion. While the OD has established controls for personnel independent of these duties to reconcile the expenditures for the Homeland Security program to the expenditures posted to SAM II, this process may not detect that the user had entered and approved an improper transaction. For the JAG program, there is no other oversight.

Proper segregation of duties is necessary to safeguard against possible loss or misuse of funds, and ensure all transactions are accounted for properly. Further, to ensure all expenditure transactions are proper and comply with OMB Circular A-87, which provides guidance on allowable costs for federal programs, the duties of entering and approving procurement transactions should be properly segregated.

**WE RECOMMEND** the OD:

- A. Resolve the questioned costs with the grantor agency, and ensure salary certifications are prepared and approved for all employees who work solely on a single program and activities reported by employees working on multiple programs are approved as required.
- B. Segregate incompatible duties and implement independent reviews to ensure all transactions are proper.

**AUDITEE'S RESPONSE**

*We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.*

<b>2011-8.</b>	<b>Subrecipient Monitoring</b>
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Federal Agency:	Department of Homeland Security Department of Justice
Federal Program:	16.738 Edward Byrne Memorial Justice Assistance Grant Program 2007 - DJ-BX-0051 2008 - DJ-BX-0731 and DJ-BX-0027 2009 - DJ-BX-0090 2010 - DJ-BX-0066 16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories 2009 - SU-B9-0032 97.067 Homeland Security Grant Program 2006 - GE-T6-0067 2007 - GE-T7-0034

2008 - GE-T8-0014

2009 - SS-T9-0062

2010 - SS-T0-0039

State Agency: Department of Public Safety - Office of the Director (OD)

The OD should improve policies and procedures to provide better assurance that subrecipients of the Homeland Security and the Justice Assistance Grant (JAG) programs are in compliance with applicable federal and grant requirements. During the year ended June 30, 2011, the Homeland Security and the JAG programs disbursed approximately \$26.5 million to 70 subrecipients and \$8.7 million to 148 subrecipients, respectively.

- A. A formal subrecipient monitoring policy for the Homeland Security program was not implemented until March 2011 and monitoring procedures could be improved. The monitoring policy requires the OD to perform an annual desk monitoring review of each subrecipient. However, the delay in implementing the policy resulted in the OD not performing desk monitoring reviews for the majority of subrecipients during fiscal year 2011. Additionally, the monitoring policy requires the OD to perform site visits at two subrecipients per year; however, the OD has not adequately documented the criteria and methodology for selecting Homeland Security subrecipients for a site visit, or specific procedures to be performed during each site visit.
- B. The OD has not established a formal subrecipient monitoring policy for the JAG program and could better ensure actual expenditures reviewed during on-site visits are adequately documented. While the OD performs site visits each year for most JAG subrecipients and a checklist is maintained to support the review, neither the checklist nor any other monitoring file documentation indicates which expenditures and related documentation were reviewed, or describe the procedures performed during the on-site review. In addition, the checklist does not address some grant requirements, such as tracking and reporting program income and suspension/debarment.
- C. The OD has not established an audit tracking system or ensured Homeland Security and JAG program subrecipients expending \$500,000 or more in federal funds obtained independent Single Audits as required. In addition the OD did not document that Single Audit reports received were reviewed.
  - Six Homeland Security subrecipients received \$500,000 or more in federal funds from the Homeland Security program alone. The OD did not receive Single Audits from three of the subrecipients and did not document review of the audit report received from one subrecipient. In addition, the OD had no system to identify which of the remaining subrecipients could be expected to need a Single Audit. While remaining subrecipients received Homeland Security program funding of less than \$500,000, numerous awardees received significant Homeland Security funds and it is likely, when considering federal awards from other sources, a Single Audit would have been required for some.



- The OD has no system to identify which JAG subrecipients could be expected to need a Single Audit. While most JAG subrecipients receive JAG program funding significantly less than the \$500,000 Single Audit threshold, many of the subrecipients are governmental entities that receive federal funds from numerous sources and a Single Audit may have been required. In addition, while Single Audits were submitted by some subrecipients during fiscal year 2011, there is no documentation the audits were reviewed by program personnel.

Under 28 CFR Section 66.40, grantees are responsible for monitoring subrecipient activities to assure compliance with applicable federal requirements. Grantee monitoring must cover each program, function, or activity. OMB Circular A-133, Compliance Supplement Part 3, also states monitoring must be performed to provide reasonable assurance that the subrecipient administers the federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. In addition, OMB Circular A-133 requires grant recipients to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed \$500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within 9 months of the end of the subrecipient's fiscal year. The recipient agency is also required to issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action.

**WE RECOMMEND** the OD:

- A&B. Establish and implement policies and procedures to ensure subrecipients are adequately monitored.
- C. Establish a system to track Single Audit reports expected and received from applicable subrecipients. In addition, the OD should document its review and follow-up of all subrecipient Single Audit reports received.

**AUDITEE'S RESPONSE**

*We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.*

2011-9.	Reporting
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Federal Agency:	Department of Justice
Federal Program:	16.738 Edward Byrne Memorial Justice Assistance Grant Program
	2007 - DJ-BX-0051
	2008 - DJ-BX-0731 and DJ-BX-0027
	2009 - DJ-BX-0090
	2010 - DJ-BX-0066

16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant  
Program/Grants to States and Territories  
2009 - SU-B9-0032

State Agency: Department of Public Safety - Office of the Director (OD)

The OD does not have adequate controls and procedures over the preparation of the Federal Financial Report (SF-425) or the Schedule of Expenditures of Federal Awards (SEFA), and as a result, errors were not prevented and/or detected.

The OD utilizes the statewide accounting system, SAM II, to process receipts and payments for the Justice Assistance Grant (JAG) program. The OD also maintains an internal accounting system to track more detailed JAG program information, which is then used to complete the SF-425 report. However, OD personnel do not perform a reconciliation of data between SAM II and the OD internal accounting system prior to preparation or submission of the SF-425. In addition, the OD has limited or no supervisory review processes in place to ensure the accuracy this report. As a result, the total expenditures reported on the SF-425 for the JAG program had unreconciled differences totaling approximately \$383,000 when compared to SAM II data. Because the SF-425 report is used as the source to report JAG expenditures on the SEFA, similar differences were also noted on the SEFA for fiscal year 2011.

The awarding agency requires the quarterly submission of the SF-425, which includes reporting the total expenditures. Additionally, OMB Circular A-133, Section .310(b), requires the OD to prepare a SEFA showing the financial activity for each federal program. Without appropriate reconciliation procedures and supervisory reviews, the OD has little assurance the reports are complete and accurate and errors are prevented or detected in a timely manner.

**WE RECOMMEND** the OD establish procedures to ensure the SEFA and SF-425 reports are complete and accurate.

**AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

<b>2011-10.</b>	<b>Cash Management</b>
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Federal Agency:	Department of Homeland Security
Federal Program:	97.067 Homeland Security Grant Program
	2006 - GE-T6-0067
	2007 - GE-T7-0034
	2008 - GE-T8-0014
	2009 - SS-T9-0062

State Agency: Department of Public Safety - Office of the Director (OD)

The OD did not always ensure the time elapsed between the receipt of federal funds and subsequent disbursement to vendors and subrecipients was minimized. During the year ended June 30, 2011, the OD expended approximately \$31 million through the Homeland Security program.

The OD typically submits reimbursement requests to the Department of Homeland Security (DHS) when expenditures are incurred, but in advance of paying the vendors and/or subrecipients. Our test of 25 federal reimbursements, which included 137 expenditures totaling approximately \$4 million, noted the OD did not disburse the funds for 17 expenditures totaling \$180,523 within 3 days of receipt as required by established OD procedures. These funds were disbursed 4 to 11 business days after receipt.

In addition, the OD requested and received approximately \$3.522 million in excess of immediate cash needs. An OD official indicated the funds were drawn down based on the assumption the federal government would shut down for a period of time, rather than based on obligated and/or incurred expenditures. Although OD personnel indicated this situation was discussed with DHS officials, no documentation of the discussion or DHS approval was maintained. The OD returned approximately \$1 million of unspent funds to the DHS after approximately 30 days had expired.

Federal regulation 31 CFR Section 205.20 states cash advances shall be limited to the minimum amount needed and shall be timed with the actual, immediate cash requirements needed to carry out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of any allowable indirect costs. The OD's established procedure is to make payment to vendors and subrecipients within 3 days of receipt of the federal funds.

**WE RECOMMEND** the OD follow established cash management procedures to ensure cash advances are limited to the minimum amounts needed, timed with the actual, immediate cash requirements. Monies received should be disbursed timely.

### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.*

<b>2011-11.</b>	<b>Social Services Block Grant</b>
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Federal Agency: Department of Health and Human Services  
Federal Program: 93.667 Social Services Block Grant

2010 and 2009 - 0901MOSOS2

State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)  
Questioned Costs: \$2,507,444

The SEMA did not properly administer its portion of the Social Services Block Grant (SSBG), and as a result several problems were noted.

A federal act passed in 2009 provided additional funds to the SSBG program for expenses resulting from Presidentially declared natural disasters that occurred in 2008. Missouri was provided funding for six qualifying disasters. This funding, the SSBG Disaster Supplemental Funds (SSBG Disaster), could be used for costs outside normal allowable costs for the SSBG program. The Department of Social Services, Children's Division signed an interagency agreement with the SEMA to administer these funds for the state, but had no further responsibility for the grant. The SEMA administered \$8.1 million in SSBG Disaster funds during fiscal year ended June 30, 2011.

There were two main uses for the SSBG Disaster funds during the fiscal year. First, the SEMA helped fund the buyout of a small city negatively affected by flood. A regional planning commission (commission) was coordinating the use of other federal funds to defray the cost of voluntarily relocating the citizens to an area outside of the city; however, due to a short-fall in funding, the commission solicited SSBG Disaster funds for the relocation effort. Second, the SEMA used the SSBG Disaster funds to assist individual Missourians, affected by disasters, in returning to a reasonable level of self-sustainability. This included, but was not limited to, home and/or foundation repairs, rebuilding of homes, mobile home replacement, and debris clean-up. These individual assistance projects were initially coordinated and managed by the SEMA. When the SSBG Disaster program was extended in December 2010, the SEMA contracted with the same commission administering the buyout program to become the project manager for 26 individual assistance projects which had not been completed as of that date.

A. The SEMA did not have adequate controls and procedures in place to ensure the SSBG Disaster funds were used for allowable costs and activities.

- 1) The SEMA disbursed approximately \$1.7 million in SSBG Disaster funds to the commission for the relocation buyout; however, documentation was not adequate to support the allowability of the disbursements.

For a buyout program, the SEMA policy requires the homeowner to demonstrate an inability to fund the gap when buyout program dollars are insufficient to aid the homeowner completely. Homeowners could receive assistance for lost personal property, needs related to safe, sanitary and functional living conditions, and other unmet needs (i.e. temporary housing and/or temporary storage needs). A letter of commitment from the SEMA to the commission agreed to fund an estimated cost of \$25,000 for each of the 62 households (projects) in the buyout area, or approximately \$1.5 million;

however, the letter stated the two parties were to agree on certain details such as specific expenses and which disaster clients were eligible.

We reviewed payments made to the commission for the buyout and noted for the year ended June 30, 2011, \$1,751,588 was paid for 48 projects. The SEMA received little or no documentation from the commission of project details, including project funding shortfalls after other sources were calculated and scope of work for the projects. SEMA personnel indicated there was an expectation this information would be provided by the commission. Without the documentation, the allowability of the payments could not be determined. Actual payments ranged from \$1,900 to \$90,000 per project instead of a \$25,000 limit. Some projects were not yet complete at June 30, 2011, and additional costs will be paid in the next fiscal year.

Although the commission did provide the SEMA with vendor invoices when requesting reimbursement for buyout expenses, without documentation detailing the approved scope of the projects, the SEMA could not ensure payments made for the buyouts were allowable. We question the federal share of all payments made for the buyout, or \$1,751,588 (100 percent).

In addition, the SEMA did not have a written agreement with the commission documenting the funding to be provided and the responsibilities of each party. Although the SEMA sent a letter of commitment to the commission allowing the initiation of the process and stating a formal grant agreement would need to be prepared and signed by both parties before any transaction could take place, a written agreement was never prepared. Without a formal written agreement in place, the SEMA had less assurance of compliance with all grant requirements.

- 2) Documentation was not adequate to support some disbursements made for the individual assistance projects.

In order to aid individual Missourians, the SEMA relied on Long Term Recovery Committees statewide to identify the citizens in need who qualified for this grant. Once identified, the SEMA was responsible for all aspects of these projects, including approving the scope of work and ensuring the timely completion of the projects. All documentation was maintained by the SEMA.

During the year ended June 30, 2011, the SEMA expended \$4.8 million for 172 individual assistance projects statewide. We reviewed 17 projects and found documentation was not adequate to support the allowability of payments made for 2 of the 17 projects (12 percent). These two projects involved the purchase of new residences for the affected individuals, but project files did not adequately document how this determination of need was made. For one project, the homeowner was relocated to a home costing approximately \$140,000 with no documentation of the value of the current

residence, though the grant specifies that the homeowners situation should not be bettered. In the second case, the individual was provided funds to purchase a home in another county and still hold an unrestricted deed to the original land in a flood plain. We question the federal share of these two payments, or \$213,949 (100 percent).

In addition, several projects' files lacked some required supporting documentation, such as bidding documentation, a Certificate of Completion or Acceptance Form signed by the homeowner to attest that the project was completed, and/or a Lien Waiver/Final Payment Release Form signed by the contractor. Also, some files were missing the SSBG Case File Checklist completed by the caseworker and reviewed by SEMA personnel to ensure the case files were complete and included all required documentation. Although these projects did not include all required documentation, there was adequate documentation to support the allowability of these payments.

- 3) Documentation was not reviewed by the SEMA to ensure payments made to the commission for individual assistance projects were allowable.

The commission was reimbursed \$541,907 during fiscal year 2011 for payments relating to 26 projects. While the commission provided supporting documentation with the reimbursement requests, the SEMA did not review or compare the documentation to the respective project case file to ensure payments were to authorized contractors for the correct amount or proper for the various cases. We question the federal share of these payments, or \$541,907 (100 percent). Some projects were not yet complete at June 30, 2011, and additional costs will be paid in the next fiscal year.

According to OMB Circular A-87, Attachment A, paragraph C.1, to be allowable under Federal awards, cost must be necessary and reasonable for the performance and administration of Federal awards. In addition, costs must be adequately documented, pursuant to 2 CFR Part 225, Appendix A, Section C. To ensure it is appropriate to reimburse costs, the SEMA must receive and review documentation demonstrating the costs are reasonable, necessary, and within the scope of the project agreement.

- B. The SEMA did not have monitoring procedures in place to ensure subrecipients were in compliance with applicable grant and project requirements and that project performance goals were achieved. During the fiscal year ended June 30, 2011, the SEMA disbursed approximately \$2.5 million to two subrecipients, of which \$2.3 million was to one regional planning commission. Our review of funding to this commission noted the following problems:

- 1) The SEMA did not properly monitor the commission for the buyout program discussed in part A.1. above. The SEMA provided the commission approximately \$1.7 million in SSBG Disaster funds related to the buyout

program. However, the SEMA did not monitor the use of these funds to ensure applicable federal requirements were met. Because the buyout was an ongoing project, the commission maintained all documentation of the buyout projects. SEMA personnel indicated the intent was to perform onsite visits and review project case files to ensure activities were properly documented and projects had been completed; however, due to other disasters occurring in the state, these monitoring activities were not performed.

- 2) The SEMA did not adequately monitor the use of SSBG Disaster funds for the various individual assistance projects assigned to the commission. Though the agreement specified the commission would abide by the terms of the SSBG Disaster funding program, the SEMA did not take any steps to ensure requirements were followed and projects were completed as required. The initial project files for these cases, including approved scopes of work, were maintained by the SEMA with the expectation the commission would provide all project closeout documentation, such as completion certificates and lien waivers. However, that documentation was maintained in files at the commission and the SEMA did not review those files or perform on-site visits for any of the projects. Without reviewing this documentation and/or performing site visits, the SEMA had less assurance the projects were completed as approved.

OMB Circular A-133, Section .400(d)(3), requires the SEMA to monitor subrecipients through reporting, site visits, regular contact, or other means "...to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts and grant agreements and performance goals are achieved." Without adequate subrecipient monitoring procedures in place, the SEMA has less assurance SSBG Disaster fund requirements were met and projects were completed as required.

**WE RECOMMEND** the SEMA:

- A. Review payments made to ensure they were adequately supported and an allowable use of the SSBG Disaster funds. In addition, the SEMA should resolve the questioned costs with the grantor agency.
- B. Implement subrecipient monitoring policies and procedures for all monies paid to subrecipients, as required.

**AUDITEE'S RESPONSE**

*We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.*

**2011-12.**

**Disaster Assistance Subrecipient Monitoring**

Federal Agency: Department of Homeland Security  
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
2006 - FEMA-DR-1631-MO and FEMA-DR-1635-MO  
2007 - FEMA-DR-1673-MO, FEMA-DR-1676-MO, FEMA-DR-1708-MO, and FEMA-DR-1728-MO  
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO  
2009 - FEMA-DR-1809-MO, FEMA-DR-1822-MO, and FEMA-DR-1847-MO  
2010 - FEMA-DR-1934-MO  
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO  
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA does not adequately track subrecipients to ensure an independent Single Audit has been completed, when required, and submitted to the SEMA on a timely basis.

Although the SEMA utilizes a tracking system to identify which subrecipients have submitted audit reports, it does not track which subrecipients are required to obtain and submit an audit report or ensure an audit report is received. We reviewed the files of nine subrecipients with grant expenditures exceeding \$500,000 and found that five of the nine subrecipients (56 percent) had not submitted an audit report to the SEMA, as required. According to SEMA personnel, the SEMA is in the process of developing a better way to track which subrecipients need Single Audits.

OMB Circular A-133 requires grant recipients to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed \$500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within 9 months of the end of the subrecipient's fiscal year. In addition, the recipient agency is required to issue a management decision on audit findings within 6 months after receipt of a subrecipient's audit report and ensure the subrecipient takes timely corrective action.

**WE RECOMMEND** the SEMA develop procedures to ensure subrecipients obtain and submit independent Single Audits when required.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*



**2011-13.**

**Schedule of Expenditures of Federal Awards**

Federal Agency: Department of Agriculture  
Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for the  
Supplemental Nutrition Assistance Program  
2010 - 2010IS251443, 2010IE251843,  
20108E251843, and 2010IS252043  
2011 - 2011IS251443, 2011IS252043, and  
2011IY810543

93.558 Temporary Assistance for Needy Families  
2010 - G1002MOTANF and 2011 - G1102MOTANF

93.714 ARRA - Emergency Contingency Fund for Temporary  
Assistance for Needy Families State Program  
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

93.575 Child Care and Development Block Grant  
2010 - G1001MOCCDF and 2011 - G1101MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child  
Care and Development Fund  
2010 - G1001MOCCDF and 2011 - G1101MOCCDF

93.713 ARRA - Child Care and Development Block Grant  
2009 - G0901MOCCD7

93.658 Foster Care - Title IV-E  
2010 - G1001MO1401 and 2011 - G1101MO1401

93.658 ARRA - Foster Care - Title IV-E  
2010 - G1001MO1402  
2011 - G1101MO1402 and G1101MO1404

93.659 Adoption Assistance  
2010 - G1001MO1407 and 2011 - G1101MO1407

93.659 ARRA - Adoption Assistance  
2010 - G1001MO1403  
2011 - G1101MO1403 and G1101MO1405

93.667 Social Services Block Grant  
2009 - 0901MOSOS2,  
2010 - G1001MOSOSR  
2011 - G1101MOSOSR

93.767 Children's Health Insurance Program  
2010 - 1005MO05021

93.778 Medical Assistance Program  
2010 - 1005MO5MAP and 1005MO5ADM  
2011 - 1105MO5MAP and 1105MO5ADM

93.778 ARRA - Medical Assistance Program  
2009 - 0905MOARRA and 0905MOMDSH  
2010 - 1005MOARRA, 1005MOHITA, and  
1005MOQUAL

2011 - 1105MOARRA, 1105MOEXTN,  
1105MOHIMP, and 1105MOQUAL

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls and procedures over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) are not sufficient, and as a result, errors on the SEFA were not prevented and/or detected. Expenditures reported on the SEFA for 7 of 20 (35 percent) programs reviewed were overstated by a net amount of approximately \$39 million (overstatements totaled approximately \$57 million and understatements totaled approximately \$18 million). Listed below are the misstatements applicable to each program:

<b>CFDA</b>	<b>Program</b>	<b>Overstated/ (Understated)</b>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	\$ (9,192,892)
93.575	Child Care and Development Block Grant (CCDF)	53,518,860
93.658	Foster Care - Title IV-E	1,463,767
93.658	ARRA - Foster Care - Title IV-E	(211,757)
93.659	Adoption Assistance	2,189,104
93.659	ARRA - Adoption Assistance	139,938
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (ECF) State Program	(8,830,532)

In addition to the above errors, the amount provided to subrecipients was understated by approximately \$13.6 million for the ECF program. DFAS revised the schedule after we brought the above errors to management's attention.

DFAS personnel prepare the SEFA from various records, such as program federal reports and the cost allocation plan, which are records of expenditures of the federal programs. DFAS personnel indicated a supervisory review of the SEFA is performed; however, this review does not include a comparison or reconciliation to supporting records.

The majority of the above errors resulted from the incorrect compilation of data from federal program reports during preparation of the SEFA. For the CCDF program, DFAS personnel compiled expenditure totals from SAM II expenditure reports instead of quarterly federal reports. The SAM II reports included both federal and state expenditures, resulting in an overstatement of federal expenditures. The amount paid to subrecipients for the ECF program was understated because DFAS personnel preparing the SEFA were not aware of the need to include subrecipient amounts. A reconciliation of the federal reports to the prepared SEFA and a detailed review of amounts listed would likely have detected these misstatements.

OMB Circular A-133, Section .310(b)(3), requires the DSS prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. To ensure the SEFA is complete and accurate, effective procedures should be established, including a reconciliation to federal reports and detailed supervisory review.

**WE RECOMMEND** the DSS through the DFAS, implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

<b>2011-14.</b>	<b>Eligibility and Child Care Payments</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2010 - G1001MOCCDF and 2011 - G1101MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2010 - G1001MOCCDF and 2011 - G1101MOCCDF 93.713 ARRA – Child Care and Development Block Grant 2009 - G0901MOCCD7
State Agency:	Department of Social Services (DSS) - Children’s Division (CD) and Family Support Division (FSD)
Questioned Costs:	\$58,215

Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. As a result, eligibility and payment documentation could not be located for many child care cases reviewed, overpayments were made to some providers, and payments were made on behalf of some ineligible clients for one ARRA Child Care initiative. During the year ended June 30, 2011, the DSS paid over 8,400 child care providers approximately \$171 million for services provided to about 87,000 children.

The DSS provides funds to child care providers who serve eligible clients. Federal regulation 45 CFR Section 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. In addition, 45 CFR Section 98.41 requires states to establish provider licensing requirements to protect the health and safety of children provided assistance, and Sections 210.025, 210.027, and 210.211, RSMo,

require that providers be either licensed or registered based on the number of children under their care.

Parents/caregivers apply to FSD or CD case workers for participation in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider for child care services. To comply with federal requirements, the DSS Income Maintenance manual requires that case workers set maximum authorized service units for the amount and type of care that best meets the family's need; maintain case file documentation, including the child care application or a signed system-generated interview summary and copies of income (including work hours) or educational program verifications to support eligibility determinations; and limits the number of absences and holidays eligible for reimbursement. In addition, the manual and provider agreements require that providers submit a monthly invoice either through the DSS on-line invoicing system or by a manual invoice, and maintain detailed attendance records documenting daily arrival and departure times and containing parent/caregiver signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers who submit manual invoices to submit attendance records for payment.

- A. Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers. The DSS has not established procedures to review eligibility determinations and current procedures are inadequate to monitor payments to providers. As a result, audits and reviews continue to identify significant child care payments made without sufficient supporting documentation.

To test compliance with program requirements, we sampled eligibility documentation for 60 children, and reviewed provider agreements and payment documentation supporting one payment for each of these children. Payments totaling approximately \$124,000 were made to child care providers on behalf of these children during state fiscal year 2011. We noted the following:

- The DSS could not locate the eligibility file for 6 of 60 (10 percent) cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2011, totaled \$46,466. We question the federal share of \$37,637 (81 percent).
- Eligibility documentation was not sufficient to support a valid need for child care for 3 of 60 (5 percent) cases reviewed. For one case, the child care authorization was not terminated, and payments continued for 9 months, after the DSS was notified the client was no longer employed. For the other two cases, there was no documentation supporting the need for child care while enrolled in an educational program for part of the year. Payments totaling \$4,610, made on behalf of these children and their

siblings, were unallowable and/or unsupported by adequate documentation. We question the federal share of \$3,734 (81 percent).

- For child care payments, 13 of 60 (22 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Attendance records were not provided by child care providers upon our request, some provider invoices did not agree to the corresponding attendance records, and one attendance record did not include all daily arrival/departure times. In addition, the DSS did not authorize evening/weekend rates in accordance with policy for one case. Of these 13 payments, 2 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 11 cases totaled an additional \$1,028. We question the federal share of \$833 (81 percent).

During the fiscal year ended June 30, 2011, there was a lack of overall quality control for the Child Care program. The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and payments are proper and adequately supported. There appear to be at least three significant factors contributing to the weak control system:

- There is no supervisory review of child care eligibility determinations. These determinations are made by numerous caseworkers in county offices around the state. Although the DSS has a system for monthly supervisory reviews of eligibility determinations for other DSS assistance programs, this review system does not include the Child Care program.
- The DSS does not perform on-site contract compliance reviews of child care providers and there are minimal other procedures in place to review provider attendance records. Currently, DSS payment review procedures are limited to CD desk reviews of manual invoices and attendance sheets submitted by registered providers, and follow-up of provider complaints received.
- Overall, management of the case records is poor. As noted above, the DSS could not locate 6 of 60 (10 percent) case files requested, and several other case files did not include documentation to support eligibility.

The lack of controls over eligibility determinations and payments to providers can result in provider overpayments and federal reimbursements for ineligible clients and/or unallowable costs. In addition, without complete and accurate case records, adequate documentation is not available to verify the eligibility of clients, support the appropriateness of child care payments, and provide an adequate audit trail. The DSS needs to review and strengthen policies and procedures to ensure child care payments are made on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete, payments are

in accordance with department policy, and appropriate child care services are authorized. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Payments associated with known questioned costs represented approximately 24 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

We noted similar conditions in our prior report. In addition, the DSS identified similar errors in the most recent (2010) DSS Child Care program improper payment review. The review indicated the majority of improper authorizations for payment were due to missing or insufficient documentation and estimated annual improper authorizations of \$64 million.

- B. Payments were made on behalf of clients ineligible for an ARRA Child Care Initiative. In May 2010, with additional funding from the ARRA, the DSS expanded child care assistance to additional children and families including an initiative to provide child care assistance to eligible clients not receiving Temporary Assistance for Needy Families (TANF) benefits who were searching for employment. This initiative ended September 30, 2011. During the year ended June 30, 2011, ARRA funded child care assistance payments totaling approximately \$1.8 million were made on behalf of 3,831 children of 2,298 clients.

Previously, child care assistance for job search activities was only allowed for TANF clients. Through this ARRA initiative, non-TANF clients engaged in job search activities qualified for child care assistance for a maximum of 8 consecutive weeks, as outlined in the DSS Child Care State Plan approved by the Department of Health and Human Services, Administration of Children and Families. Clients could not participate in this initiative if they were currently receiving or applying for TANF benefits.

To test compliance with the non-TANF eligibility requirement for this initiative, we reviewed the Family Assistance Management Information System (FAMIS) for 49 clients receiving child care assistance under this initiative. ARRA funded payments totaling approximately \$79,000 were made to child care providers on behalf of these clients during state fiscal year 2011. We noted 9 (18 percent) of these clients were receiving TANF benefits, although the initiative provides that clients receiving TANF benefits were not eligible. We question the federal share of the payments made on behalf of these clients, or \$16,011 (100 percent).

The payments to child care providers for ineligible clients resulted from incorrect coding of client child care need in the FAMIS. The DSS established a child care need code (NTA) to authorize child care assistance under this new initiative and provided written guidance to case workers regarding the new initiative and child care need code. In response to a similar issue noted in our prior report, the DSS

issued additional guidance to reinforce policies regarding the use of NTA in April 2011 and instructed staff to review a listing of cases where the need was identified as NTA.

As of January 2012, DSS staff had reviewed 431 cases and identified approximately \$205,000 paid improperly from ARRA funds, including approximately \$85,000 paid on behalf of clients ineligible for any type of subsidized child care and \$120,000 paid on behalf of clients who were ineligible for the ARRA initiative but were otherwise eligible for regular child care benefits. While the review identified errors, DSS staff only identified errors in three of the nine cases we identified in our test and only identified the correct error amount for one of these cases. DSS attributed not identifying these ineligible clients to using a different methodology to determine TANF clients potentially receiving ARRA Child Care Initiative benefits.

To ensure ineligible payments made under the non-TANF job search initiative are identified and recouped, the DSS should review its methodology for identifying ineligible clients and continue to investigate identified cases.

**WE RECOMMEND** the DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and:

- A. Review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.
- B. Revise its methodology for identifying clients who were ineligible for non-TANF ARRA Child Care Initiative benefits and recoup any improper payments identified.

#### **AUDITEE'S RESPONSE**

*We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.*

<b>2011-15.</b>	<b>Eligibility and Adoption Assistance Payments</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance
	2010 - G1001MO1407 and 2011 - G1101MO1407
	93.659 ARRA - Adoption Assistance
	2010 - G1001MO1403
	2011 - G1101MO1403 and G1101MO1405

State Agency: Department of Social Services (DSS) - Children's Division (CD)  
Questioned Costs: \$40,682

Payments were made on behalf of ineligible children, some subsidy agreements appear to have been backdated, and some payments were not allowable or not supported by adequate documentation. During the year ended June 30, 2011, the DSS provided Adoption Assistance benefits totaling over \$44 million for approximately 11,400 children.

The Adoption Assistance program assists families in adopting eligible children with special needs by providing subsidy payments to adoptive parents. To be eligible to receive benefits under the program, eligibility requirements outlined at 42 USC Part 673 must be met. The DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR Section 1356.40 and 45 CFR Section 1356.41, respectively. In addition, the agreement must be signed and in effect prior to or at the time of the final adoption decree. Subsidized costs may include maintenance, child care, respite care, and nonrecurring adoption expenses. Federal regulations limit nonrecurring expenditures to \$2,000 per adoptive placement.

To test compliance with these requirements, we reviewed eligibility and expenditure documentation for 60 children receiving Adoption Assistance. Assistance payments totaling approximately \$250,500 were made on behalf of these children during the year ended June 30, 2011. In addition, we reviewed fiscal year 2011 non-recurring adoption expense payment data totaling approximately \$998,000 to determine if total payments per child exceeded the federal \$2,000 limit. Our review noted the following:

- A. For two (3 percent) cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because the adoption subsidy agreement was not signed and in effect before or at the date of adoption. The DSS policy requires subsidy agreements be signed by both the adoptive parents and the CD Director to be considered in effect. However, for these cases, the subsidy agreement was not signed by all parties until 1 to 4 months after the date of the adoption decree. In these two cases, payments totaling \$7,452 were made on behalf of ineligible children during the year ended June 30, 2011. We question the federal share of \$5,119 (68.7 percent).

Cumulative payments, totaling \$30,357 and \$27,330, for these two cases were charged to the Adoption Assistance program from April 2003 to June 2011 and May 2003 to June 2011, respectively. The payments made for these two cases during fiscal year 2011 were included in the questioned costs above.

- B. For three additional cases, it appears the subsidy agreements were not signed and in effect prior to or at the date of the adoption decree because the CD Director's signature date was apparently backdated.



Subsidy agreements are established by case workers and reviewed by supervisors in the local offices. After the subsidy agreements are signed by the adoptive parents and reviewed and approved by local office supervisors, the agreements are sent to the Central Office Contract Management Unit (CMU) where the CD Director's signature is applied with a stamp by CMU staff.

For three (5 percent) cases tested, case files contained documentation indicating the CD Director's signature may have been applied to the subsidy agreement after the date of the adoption decree, but the signature date used was prior to or on the adoption date. For these cases, the subsidy agreement or the subsidy agreement attachment included a directive to backdate the CD Director's signature stamp or the Director's signature stamp date was prior to the date the agreement was received by the CMU. DSS officials indicated backdating of subsidy agreements by CMU personnel was permissible under DSS policy prior to May 2008, and backdating was utilized because of a backlog in processing and submitting the subsidy agreements to the CMU.

Although each of these subsidy agreements were signed by the adoptive parents and reviewed by the local DSS case worker and his or her supervisor prior to the adoption date, the CD Director's signature may not have been applied prior to or on the adoption decree date as required by DSS policy for the agreement to be in effect and payments relating to these cases are unallowable. For these three cases, payments totaling \$10,548 were made during the year ended June 30, 2011. We question the federal share of \$7,248 (68.7 percent).

One of the subsidy agreements was established in 1997 and the other two were established in 2006. Cumulative payments, totaling \$44,689; \$17,169; and \$40,130, for these three cases were charged to the Adoption Assistance program through June 30, 2011. The payments made for these three cases during fiscal year 2011 were included in the questioned costs above.

In May 2008, the CD issued a policy memo prohibiting backdating of subsidy agreements. The subsidy agreements for the three cases noted above were established prior to this directive. Our review of subsidy agreements established after this directive noted no instances of apparent backdating.

- C. The DSS claimed reimbursement for non-recurring adoption expenditures in excess of allowable federal limits, and did not comply with federal guidance prohibiting the limitation of nonrecurring expenditures by category. Our review of DSS expenditure data determined the DSS paid nonrecurring expenses in excess of the \$2,000 limit for 49 children during fiscal year 2011. These excess expenditures totaled \$56,630. We question the federal share of \$28,315 (50 percent).

Nonrecurring adoption expenditures are limited to \$2,000 per placement, and are reimbursed at the administrative match rate, per 45 CFR Section 1356.41(f)(1).

Section 8.2D.3 of the Administration for Children and Families Policy Manual also prohibits states from limiting reimbursement for nonrecurring adoption expenses by category. However, DSS policy instead allows adoptive parents to request up to \$4,000 in nonrecurring adoption expenses be paid under the adoption subsidy agreement. This amount is also limited to \$1,500 for nonrecurring legal fees, or up to \$3,000 for contested cases; and up to \$1,000 for other nonrecurring expenses which may include pre-placement lodging, meals, transportation, or other costs.

Pursuant to our review, the DSS refunded the federal share of these overpayments by reducing subsequent federal reimbursement requests.

The failure to ensure adoption subsidy agreements are signed prior to the adoption can result in federal reimbursements for ineligible children and/or unallowable costs. Payments associated with known questioned costs for A and B above represented approximately 7 percent of payments reviewed. If similar errors were made on the remaining population of assistance payments, questioned costs could be significant.

Conditions similar to A and B were noted in our previous audits of the Adoption Assistance program.

**WE RECOMMEND** the DSS through the CD, resolve the questioned costs with the grantor agency, and:

- A&B. Ensure all adoption subsidy agreements are signed and effective prior to the adoption. In addition, the CD should refund the federal share of cumulative overpayments.
- C. Implement procedures to ensure payment of nonrecurring adoption expenditure payments are compliant with federal regulations.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

2011-16.	Cost Allocation Procedures
Federal Agency: Federal Program:  State Agency:	Department of Health and Human Services 93.667 Social Services Block Grant 2010 - G1001MOSOSR and 2011 - G1101MOSOSR Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls and procedures over the allocation of costs to the Social Services Block Grant (SSBG) program are not sufficient and as a result, cost allocation errors were not prevented and/or detected.

The DFAS has developed procedures to identify, measure, and allocate all costs to the programs administered by the department. These procedures provide for the quarterly allocation of costs using comprehensive cost allocation spreadsheets which contain formulas to allocate costs to the various programs. As part of this process, DFAS personnel annually adjust the SSBG expenditure total by entering IV-B Child Welfare Services (CWS) program costs into a formula that deducts the costs from total SSBG expenditures. This adjustment allows the DSS to separately identify expenditures for the CWS program and prevent claiming the same expenditures against both federal programs. DFAS personnel indicated a supervisory review of the cost allocation spreadsheets is performed; however, this review is not documented and does not include a review of spreadsheet formulas or a comparison/reconciliation to supporting records.

Our review of the SSBG section of the relevant cost allocation spreadsheet for the quarter ended September 30, 2010, identified an overstatement of expenditures totaling approximately \$16.1 million. The overstatement was due to spreadsheet data entry and formula errors related to the CWS annual adjustment. DFAS personnel had entered an incorrect CWS expenditure amount into the spreadsheet and a formula error resulted in the incorrect amount being added to instead of deducted from total SSBG expenditures. These errors resulted in the DFAS adding approximately \$8.7 million to the SSBG expenditure total rather than deducting \$7.4 million.

While the errors resulted in excess expenditures on the cost allocation spreadsheet, the errors did not result in unallowable costs charged to the SSBG program. At the time of the error, eligible SSBG expenditures already exceeded the available amount of the federal grant award. The DSS paid the excess eligible expenditures with state funds and did not claim the overstatement or excess eligible expenditures on federal reports. If eligible expenditures had not exceeded the available federal grant award, the error could have resulted in the claiming of unallowable expenditures on federal reports and likely questioned costs.

Federal regulation 45 CFR Section 96.30(a) requires the DSS to have sufficient controls over block grants to ensure expenditures are allowable. Good internal controls require adequate procedures to ensure formulas and amounts entered into cost allocation spreadsheets are accurate and reliable. Inadequate supervisory reviews of the spreadsheets could hinder the ability to manage federal funds effectively and to comply with federal regulations.

**WE RECOMMEND** the DSS, through the DFAS, strengthen controls and procedures to ensure the accurate allocation of costs to the Social Services Block Grant. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

## **AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

**2011-17.**

### **Earmarking**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.667 Social Services Block Grant  
2010 - G1001MOSOSR and 2011 - G1101MOSOSR  
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)  
Questioned Costs: \$6,461,316

Controls and procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) are used for programs and services to eligible individuals are not sufficient. The State may transfer up to 10 percent of its TANF funds for a given fiscal year to carry out activities under the SSBG. The DFAS documents which programs and services were funded by SSBG and TANF transfer monies on the annual Post-Expenditure report. According to the Post-Expenditure report, during the year ended June 30, 2011, TANF funds totaling \$21,705,174 were expended to carry out activities under the SSBG.

42 USC Sections 604(d)(3)(A) and 9902(2) provide that the state shall use all of the amount transferred into the SSBG from TANF only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by the Department of Health and Human Services (DHHS). Report No. 2007-09, *State of Missouri, Single Audit, Year Ended June 30, 2006* (issued in March 2007) finding number 2006-5 questioned the adequacy of DSS procedures for ensuring TANF transfer funds were used in compliance with this requirement. In response, DFAS management indicated they would only use TANF transfer monies to fund specific programs for children or their families whose income is verified as meeting the federal criteria. At that time, the DFAS identified two programs, case management and residential treatment of foster children, which met this criteria and agreed to use TANF funds for only these two programs. The DHHS, Administration for Children and Families, sustained the finding in a letter dated January 31, 2008, and concurred with DFAS' corrective action to use TANF funds only for case management and residential treatment activities.

During preparation of the Post-Expenditure report for the year ended June 30, 2011, DFAS personnel allocated expenditures totaling \$6,461,316 of TANF transfer funding to programs other than case management and residential treatment. Personnel responsible for the preparation and review of the most recent Post-Expenditure report had not previously been assigned this task and stated they were unaware of the requirements regarding identification of TANF funds. While personnel indicated a review of the report

is performed, the review is not documented and did not detect this error. It appears the DSS incurred additional case management and residential treatment expenditures that could have been substituted for the unapproved program expenditures which were reported. The DFAS does not have support to demonstrate the expenditures for the other programs reported were only for children or families whose income was under 200 percent of the poverty level. As a result, we question the \$6,461,316 allocated in error to unapproved programs.

Good internal controls require adequate procedures to ensure earmarking requirements are met and reports are accurate. Inadequate supervisory reviews of program reports could hinder the ability to manage federal funds effectively and comply with federal regulations.

**WE RECOMMEND** the DSS, through the DFAS, resolve the questioned costs with the grantor agency. In addition, the DFAS should strengthen controls and procedures to ensure TANF funds transferred to the SSBG are used for programs and services to eligible individuals and transferred funds are accurately reported. These procedures should include a detailed and documented supervisory review of program reports.

#### **AUDITEE'S RESPONSE**

*We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

<b>2011-18.</b>	<b>Eligibility and TANF Assistance Payments</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2010 - G1002MOTANF and 2011 - G1102MOTANF 93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Program 2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	\$16,328

Income information was not timely updated and eligibility documentation was not complete for some Temporary Assistance for Needy Families (TANF) recipients reviewed. In addition, sanctions were not imposed on recipients who failed to cooperate with Child Support Enforcement (CSE) procedures. During the state fiscal year ended June 30, 2011, the DSS expended federal funding of over \$212 million for the TANF program, of which about \$99 million was basic assistance payments to families.

- A. The FSD paid TANF benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We sampled

60 recipients, with payments totaling \$126,653 for the year ended June 30, 2011, and noted concerns with 7 (12 percent) of the cases tested. The purpose of the test was to determine whether the proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation. Our test disclosed the following:

- For four recipients tested, the eligibility specialist did not act on information timely when quarterly wage matches between various federal and state databases and the TANF case management system showed significant unresolved differences in income earned during state fiscal year 2011. We determined that for these recipients, the FSD was not taking action on the case when the system generated alert from the quarterly wage matches was received via e-mail. This inaction allowed TANF recipients who were ineligible for portions of state fiscal year 2011 to continue to receive TANF benefits. The FSD determined these four recipients received overpayments totaling \$4,246, for which we question the entire amount (100 percent federal share).

Under 45 CFR Section 206.10, eligibility must be reconsidered or redetermined for an individual determined to be eligible: (1) when required on the basis of information the agency has obtained previously about anticipated changes in the individual's situation; (2) promptly, after a report is obtained which indicates changes in the individual's circumstances that may affect the amount of assistance to which he is entitled or may make him ineligible; and (3) periodically, within agency established time standards, but not less frequently than every 12 months for certain other eligibility factors subject to change. For recipients of TANF, all factors of eligibility must be redetermined at least every 6 months or more often for certain cases. Under the TANF program, at least one face-to-face redetermination must be conducted in each case once every 12 months.

- For three recipients tested, the FSD did not maintain adequate documentation. In one instance, the case file did not contain the recipient's signed assistance application/eligibility statement or system-generated interview summary. In another instance, the interview summary was not signed by the applicant. In the third instance there was no documentation of the verification of a minor child living in the household. The assistance application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be signed by the applicant certifying compliance with the requirements and attesting to the accuracy of the information provided. The verification of a minor child living in the home is a federal eligibility requirement.

Under 45 CFR Section 206.10(a)(ii), applications for program participation must be in writing on an agency prescribed form and signed by the applicant or an appropriate representative. In addition, 45 CFR Section 205.60(a)

requires the agency to maintain records for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and other pertinent information obtained.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. Payments made for these three cases during the year ended June 30, 2011, totaled \$10,824, for which we question the entire amount (100 percent federal share).

- B. The FSD did not act upon some notices of non-cooperation from the CSE Unit to sanction recipients. We obtained a listing of CSE cases flagged in the child support case management system for non-cooperation during the year ended June 30, 2011, and matched it against a listing of TANF cases. There were 2,743 TANF cases flagged for non-cooperation. We tested 60 of these TANF recipients to determine whether the FSD was properly sanctioning recipients who were not cooperating with CSE procedures. TANF payments for the year for the 60 recipients totaled almost \$132,000. Of the 60 recipients tested, 13 recipients were not referred by the CSE for sanction for valid reasons, such as immediate cooperation or good cause exemptions. The remaining 47 recipients were referred by the CSE for sanctions. For seven of these referred recipients (15 percent), the FSD did not sanction the recipient when notified. The Income Maintenance eligibility specialist receives an alert from the CSE via e-mail when non-cooperation occurs. For these seven recipients, there was no action taken upon receiving the e-mail to sanction the TANF recipient. The FSD identified overpayments totaling \$1,258 were made to these 7 recipients during the year ended June 30, 2011.

Under 45 CFR Section 264.30, the FSD must refer to the CSE all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. If the CSE determines an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the CSE, the FSD, or federal law, the CSE agency must notify the FSD promptly. The FSD must then take appropriate action by either deducting an amount equal to at least 25 percent from the TANF assistance that would otherwise be provided to the family of the individual or denying the family assistance entirely. The DSS has determined the sanction will be 25 percent of the assistance amount.

The FSD also reported that while reviewing the 60 cases they identified and established claims for overpayments of TANF benefits for non-cooperation sanctions that should have been imposed outside of the audit period for three of the seven recipients, totaling \$700, and three other recipients, totaling \$627. Since

these overpayments occurred outside of the audit period, they are not included as questioned costs.

The FSD did not have a system to track the non-cooperation notices received from the CSE and therefore could not ensure or demonstrate compliance with federal requirements related to sanctioning of recipients who were not cooperating with the CSE program requirements.

We question the costs for failure to impose sanctions upon the seven non-cooperation cases for the state fiscal year ended June 30, 2011, totaling \$1,258 (100 percent federal share).

**WE RECOMMEND** the FSD resolve the questioned costs with the grantor agency and:

- A. Strengthen controls to ensure income information is reviewed periodically and proper and timely action is taken regarding the updated income information, including case sanctions, case closures and recoupment of overpayments if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.
- B. Develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with child support enforcement program requirements.

**AUDITEE'S RESPONSE**

*We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.*

<b>2011-19.</b>	<b>Unallowable Costs and Maintenance of Effort</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2010 - G1002MOTANF and 2011 - G1102MOTANF 93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Program 2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	\$44,304,556

The DSS does not have adequate controls in place to ensure costs claimed under the Temporary Assistance for Needy Families (TANF) program meet federal requirements. The DSS claimed unallowable foster care, adoption assistance, and subsidized guardianship costs totaling over \$25.8 million under the TANF program. The DSS



included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the TANF program. In addition, the DSS claimed unallowable scholarship program costs totaling nearly \$18.5 million directly under the TANF program.

The four purposes of the TANF program as stated in 45 CFR Section 260.20 include: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families.

- A. The DSS claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the TANF program. Federal regulation, 45 CFR Section 263.11, includes a grandfather clause allowing states to continue to claim expenditures previously authorized under certain federal programs which are now obsolete. Such expenditures are referred to as prior approved program costs. The DSS identified the foster care, adoption assistance and subsidized guardianship costs as authorized under the IV-A Emergency Assistance (EA) Plan in effect on September 30, 1995. However, EA that may be claimed as a prior approved program cost is limited by the 1995 IV-A EA plan, to a maximum duration of 365 days or less as necessary to alleviate the emergency condition, and must be authorized within a single 30-day period no less than 12 months after the beginning of the family's last EA authorization period.

The DSS started claiming certain child welfare expenditures in state fiscal year 2006 including some state foster care, adoption assistance, and subsidized guardianship under the TANF program. Expenditures claimed do not appear to meet the criteria for emergency assistance. The foster care, adoption assistance, and guardianship expenditures can and often do extend beyond 12 months and do not necessarily correspond to an emergency or an emergency assistance authorization. While it is clear that some expenditures for some families within those categories would meet the requirements as a prior approved program cost, the DSS does not have a methodology to track which specific foster care, adoption assistance and guardianship expenditures meet the emergency assistance criteria and were authorized as required.

The foster care, adoption assistance, and subsidized guardianship costs claimed included non-emergency assistance, and the costs claimed for emergency assistance are not separately identified; therefore all costs are unallowable. We question all state fiscal year 2011 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling \$25,810,891 (100 percent federal share).

- B. The DSS included unallowable educational expenditures totaling \$19,034,632 in the amounts reported for the annual MOE requirement. MOE is the minimum amount of funding the state must expend from other funding sources as a condition of receiving TANF funding each year. Qualifying activities provided to TANF eligible families may be included in MOE. In addition, qualifying activities provided to families who are not eligible for participation in the TANF program may be included in MOE only if those activities are closely related to the promotion of healthy marriages and responsible fatherhood. The MOE must meet a threshold based on either 80 percent (\$128.1 million) or 75 percent (\$120.1 million) of the 1994 base year expenditures, depending on whether the state meets the work participation rate requirements for the fiscal year. This is termed “basic MOE” and the requirement is based on the federal fiscal year.

MOE expenditures must be made on behalf of eligible TANF families pursuant to 42 USC Section 609(a)(7)(B)(i)(IV). Eligible families are defined in 45 CFR Section 263.2, as families who meet the income and resource standards and other eligibility criteria defined in the state TANF plan. For federal fiscal years 2006 through 2008 only, an exception was made whereby states could claim MOE for certain expenditures directed toward any family regardless of financial need or eligibility, if the expenditure was reasonably expected to accomplish TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. For federal fiscal year 2009 and forward, this policy has been revised and states are only allowed to claim specific activities for families who are not TANF eligible if the expenditure is closely related to the promotion of healthy marriages and responsible fatherhood as defined in Administration for Children and Families (ACF) directive TANF-ACF-PI-2008-10 issued October 23, 2008.

We reviewed all sources of MOE claimed for federal fiscal year 2010 and noted three educational programs claimed do not appear to be allowable sources of MOE. These programs are operated by the Missouri Department of Elementary and Secondary Education. The DSS began including these educational programs in MOE in 2007.

The three educational programs, Character Education, Parents as Teachers, and the Missouri Pre-School Program, appear to fall under the category of early childhood education programs which have been deemed by the ACF as meeting TANF purposes 3 and 4. However, for these educational program activities to be includable in MOE, the activities must be provided to TANF eligible families or, for families who are not eligible to participate in the TANF program, those programs must be closely related to the promotion of healthy marriages and responsible fatherhood. The DSS does not have a methodology to track which expenditures within these three programs benefit only TANF eligible families. The DSS has also not determined and documented how these three programs are closely related to the promotion of healthy marriages and responsible fatherhood for families not eligible for TANF participation. Therefore, the DSS is unable to

substantiate which, if any, expenditures for these three educational programs are allowable sources of MOE. For these three programs, the DSS claimed unallowable costs totaling approximately \$19 million in federal fiscal year 2010.

For federal fiscal year 2010, the DSS reported MOE total expenditures of \$203.1 million including the unallowable educational program costs of \$19 million. It appears the allowable MOE expenditures were \$184.1 million which exceeds the required MOE for federal fiscal year 2010. The DSS did not comply with TANF program requirements related to MOE and continuing to claim unallowable MOE expenditures increases the risk the DSS could fail to meet the MOE requirements. Under 45 CFR Section 263.8, the failure to meet the MOE requirement may result in a penalty, which is a dollar for dollar reduction in the TANF grant award for the subsequent year.

- C. For the quarter ended September 30, 2010, the DSS claimed costs under the TANF program, totaling \$18,493,665, related to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. According to the TANF Funding Guide, the ACF indicates TANF expenditures may include expenditures for TANF eligible families that serve to meet any of the four purposes of the TANF program. For families that are not TANF eligible, the funded activities must serve to meet TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. The DSS reported the scholarship programs meet TANF purposes 3 and 4; however, the DSS has not determined and documented there is any correlation between those programs and any of the four TANF purposes. We question the state fiscal year 2011 costs for scholarship programs that were claimed under the TANF program, totaling \$18,493,665 (100 percent federal share).
- D. The DSS control system has not been effective in ensuring the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant. Such a control system should include formal evaluations, periodic re-evaluations, and management review of the related federal regulations and expenditure categories to ensure expenditures claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Findings similar to A, B, C, and D were noted in our prior audit report.

**WE RECOMMEND** the DSS resolve the questioned costs with the grantor agency and:

- A. Ensure prior approved program costs claimed under the TANF program comply with federal regulations.
- B. Ensure expenditures claimed as MOE are allowable.

- C. Ensure program costs claimed under the TANF program comply with federal regulations.
- D. Establish a formal control system to ensure the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

### **AUDITEE'S RESPONSE**

*We disagree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

<b>2011-20.</b>	<b>Work Participation and Sanctions</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2010 - G1002MOTANF and 2011 - G1102MOTANF 93.714 ARRA- Emergency Contingency Fund For Temporary Assistance For Needy Families State Program 2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency:	Department of Social Services - Family Support Division (FSD)
Questioned costs:	\$1,134

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2011 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate. In addition, controls were not adequate to ensure recipients were sanctioned when they were not in compliance with federal and state requirements.

The FSD contracted with the Missouri Department of Economic Development - Division of Workforce Development (DWD) to perform many of the required TANF work activity functions for state fiscal year 2010. These duties included case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting recipient noncompliance and hours of participation to the FSD. The DWD contracted with regional workforce investment boards (WIBs) to provide those functions at the local level. The FSD assumed direct administration of the TANF work activities from the DWD on July 1, 2010, utilizing the WIBs while seeking new service providers. By October 1, 2010, the FSD had contracted directly with community organizations to perform the related activities at the local level for the 19 regions in the Missouri Work Assistance (MWA) program. The FSD and the community organizations continued to use the legacy computer system, DWD Toolbox, to record work participation data. The FSD expended over \$19 million on the TANF work activities program during the year ended June 30, 2011, including \$11 million in ARRA funding. Just over \$17.7 million of the total was paid to local contractors.

During the transition of program administration, the FSD did not conduct any on-site monitoring visits from July 2010 through October 2010. By the time the new contracts were awarded in October 2010, the FSD had hired and trained program development specialists to conduct the on-site monitoring visits and developed specific procedures to be used to improve contractor compliance. However; our test results indicate the on-site monitoring was not effective in improving contractor compliance. As a result, the FSD failed to comply, and failed to ensure the MWA contractors complied, with the state's work verification plan. FSD officials indicated additional steps have been taken since June 2011 to improve contractor compliance with work verification requirements.

Under 45 CFR Section 265.3, states are required to submit quarterly TANF Data Reports which provide information regarding TANF recipients and work activities. The Department of Health and Human Services (DHHS), Administration for Children and Families (ACF), uses the TANF Data Reports to calculate the state work participation rate each fiscal year. In addition, under 45 CFR Section 261.62, the FSD is required to have a Work Verification Plan which includes requirements to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, the FSD must have in place procedures to identify TANF recipients who are work-eligible, identify work activities that may count for work participation rate purposes, determine how to count and verify reported hours of work, and control internal data transmission and accuracy.

- A. The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2011. We obtained a March 2011 listing of those TANF recipients referred to the MWA contractors which included data on the status of each recipient's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 21,856 TANF recipients included in the report, 4,259 recipients had at least an hour of work activity reported. We selected 60 recipients with reported work activity for testing and obtained their case files. We noted for 17 (29 percent) of the cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan. In five instances the errors led to incorrectly reporting the recipient as meeting the work participation requirements when in fact they did not. The net effect of the errors was an overstatement of the work participation compliance rate by 8.33 percent for this group of 60 individuals.

The failure to maintain adequate controls to ensure accurate data is reported for measurement of work participation could result in a penalty, under 45 CFR Section 261.65, of not less than 1 percent and not more than 5 percent of the annual grant amount. A similar finding was included in our prior audit report.

- B. The FSD did not have adequate procedures in place to ensure contractors notified the FSD when TANF recipients failed to meet work participation requirements. As a result, many TANF recipients who failed to meet work participation

requirements were not sanctioned. In addition, the FSD did not ensure TANF recipients referred to MWA contractors were assigned MWA case managers.

- Our audit noted MWA contractors were not sending sanction requests to the FSD when recipients were not in compliance with work participation requirements and therefore recipients continued to receive full benefits. Of 21,856 individuals on the March 2011 listing of TANF recipients referred to the MWA contractors, there were 17,597 recipients for which no work activities were reported. About 1,400 of these recipients were not subject to sanction due to various allowable waivers and exemptions, leaving about 16,200 recipients who were not participating in work activities and subject to sanction. We sampled 55 of the 16,200 cases and noted 18 (33 percent) of the recipients were not appropriately sanctioned for non-compliance with work participation requirements. Twenty recipients were appropriately sanctioned and the remainder either subsequently complied or began participation. The DSS has established the sanction at 25 percent of the monthly benefit amount. We question the amount of the sanctions that were not imposed on these 18 recipients for the month of March 2011, which totaled \$1,134 (100 percent federal share).

For 16 of the errors, MWA program contractors had multiple contacts with the recipients to get them engaged with the program and to reschedule missed appointments. However, the contractors did not place the recipients in conciliation or report them to the FSD to begin the sanctioning process. For two of the errors it appeared the contractors were not aware the recipient had been referred to them and no action had been taken to get them to comply with the work participation requirements. One of the two recipients had no case notes in the DWD Toolbox system and the other had no case notes since 2009.

- The FSD did not ensure TANF recipients, including the two instances noted above, referred to the DWD and MWA contractors were assigned case managers. The FSD switched from the DWD Toolbox computer system to its new MWA case management computer system in June 2011. Upon switching systems, FSD officials discovered many TANF recipients that had been reflected in the previous DWD Toolbox system as referred to the DWD and MWA contractors were never actually assigned to a case manager. As a result, the contractors were not aware of the cases and the recipients were not engaged in the work participation process. These recipients were reported as having no hours of work participation. After the system switch, these recipients showed up on the "new referral" listing within the MWA system. The FSD estimated the listing included several thousand recipients as of June 2011. However, the FSD was unable to tell us how many recipients were included on the list for which a case manager had never been assigned. After these problems were identified, the cases were assigned to case managers. The recipients that had not previously been assigned a case manager were not

required to participate in work activities and were not subject to work participation sanctions until they were assigned.

Under 45 CFR Section 261.14, for an individual who refuses to engage in work required under section 407 of the Social Security Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. The State has determined the sanction shall be 25 percent of the monthly benefit. A State that fails to impose penalties on individuals in accordance with the provisions of section 407(e) of the Social Security Act may be subject to penalty. Under 45 CFR Section 261.54, the federal agency may impose a penalty amount for a fiscal year of no less than 1 percent and no more than 5 percent of the annual grant amount.

The failure to maintain adequate controls to ensure recipients who are not in compliance with the work requirements are appropriately sanctioned has resulted overpayment of benefits totaling \$1,134.

The FSD should develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan. In addition, the FSD should develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required.

**WE RECOMMEND** the FSD:

- A. Develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.
- B. Develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

**AUDITEE'S RESPONSE**

*We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.*

<b>2011-21.</b>	<b>Low-Income Home Energy Assistance Program</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.568 Low-Income Home Energy Assistance 2010 - G10B1MOLIEA and 2011 - G11B1MOLIEA
State Agency:	Department of Social Services (DSS) - Family Support Division - Low-Income Home Energy Assistance Program (LIHEAP) Unit

The Human Development Corporation of Metropolitan St. Louis (HDC), a DSS subrecipient, misused at least \$669,704 of LIHEAP funds, according to DSS personnel. During state fiscal year 2011, the DSS paid the HDC LIHEAP funds totaling \$4,235,746. However, the HDC did not remit \$669,704 to the energy supplier on behalf of LIHEAP clients as required by the LIHEAP program and contractual requirements. During September 2011 through December 2011, the DSS issued payments totaling \$669,704 from state funds to satisfy amounts due the energy supplier.

The DSS indicated it had increased the intensity of monitoring efforts for the HDC in early 2011 after the DSS was made aware of financial problems at the HDC. The DSS did not allow the HDC to participate in the LIHEAP program during federal fiscal year 2012. The HDC voluntarily withdrew from the Community Services Block Grant program in September 2011, and filed for corporate dissolution in December 2011. DSS personnel indicated they have taken possession of HDC documents related to the federal grants and financial records of the HDC and they plan to conduct a review to determine whether other federal funds provided the HDC were properly expended. The DSS also indicated it has notified the applicable federal authorities and referred the matter to the Missouri Attorney General's office.

The DSS should complete the planned grant close out reviews, report the results of those reviews to federal and state officials, and seek recovery of all improperly used funds. In addition, the DSS should review its monitoring efforts of LIHEAP subrecipients to determine whether improvements are needed.

**WE RECOMMEND** the DSS complete the planned grant close out reviews, report the results of those reviews to federal and state officials, and seek recovery of all improperly used funds. In addition, the DSS should review its monitoring efforts at the HDC to ensure established procedures were followed and determine if improvements in those procedures are needed.

### **AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

**2011-22.**

#### **Medicaid Management Information System**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO05021 93.778 Medical Assistance Program 2010 - 1005MO5MAP and 1005MO5ADM 2011 - 1105MO5MAP and 1105MO5ADM 93.778 ARRA - Medical Assistance Program 2009 - 0905MOARRA



2010 - 1005MOARRA

2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division  
(MHD)

Questioned Costs: \$123

The MHD does not have effective controls in place to ensure overrides of claims or computer access requests for the Medicaid Management Information System (MMIS) were properly authorized. In addition, certain claims were not properly processed by the MMIS. The Medical Assistance Program, also known as Medicaid, and the Children's Health Insurance Program (CHIP) are administered by the MHD. The MMIS is the benefit claims processing and information retrieval system used by the MHD for the Medicaid program and CHIP. Providers submit claims for services to participants and are paid through the MMIS. There are numerous system edit checks established in the MMIS to flag and/or refuse payment on suspicious or unusual claims to help ensure only allowable claims are paid.

- A. MMIS system edit override documentation was not properly completed or approved by MHD personnel for 2 of 60 override actions reviewed (3 percent). There were 6,636 overrides applied during the year ending June 30, 2011. The amount billed by the providers for the 60 overrides we tested averaged approximately \$4,000 each, although the amount finally paid by the MMIS could be less.

The Patient Protection and Affordable Care Act requires state Medicaid agencies to incorporate into their MMIS compatible National Correct Coding Initiative methodologies to promote correct coding and control improper coding leading to inappropriate payments. This coding was implemented by the MHD in the form of system edits. The system edits can deny a payment or establish a hold on payment authorization for a claim; but, under some circumstances an override of the denial or hold can be processed to allow claim payment. However, MHD policy requires documented approval of each override, with reasons to explain the override, to authorize the payment of claims that have been flagged by an edit in the system.

Our review of override authorizations noted documentation was not adequate for 2 of 60 overrides tested. Neither authorization indicated the reason the override was necessary and one of these authorizations also was not approved by an authorized individual. Without properly completing or approving override documentation, the MHD cannot demonstrate the related payments were allowable costs under the Medicaid program. The payments related to these overrides totaled \$63. We question the federal share of the total payments, or \$45 (71.61 percent).

- B. The MHD did not ensure some department personnel with access to the MMIS were approved for such access. Department policy requires Security Access

Request forms be completed and approved before access authority for the MMIS is granted or changed. Forms should be approved by the user's supervisor and by proper employees within the MMIS unit.

We reviewed Security Access Request forms for 25 accounts added to or changed for the MMIS during fiscal year 2011 and noted 11 errors related to 9 accounts (36 percent). Four of these access forms could not be located, four forms were not approved by the employees' supervisors, and three forms did not include a proper reason for the action. Without fully approving access and maintaining documentation of such approvals, the MHD cannot ensure access to the MMIS, which contains sensitive participant information and processes all claim payments for the Medicaid program, is properly limited.

Federal regulation 42 CFR Section 431.301, requires states to enact a statute that restricts the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the Medicaid plan.

- C. The MMIS did not properly process certain spend down claims, allowing some participants with medical claims that extended between 2 or more calendar months to receive benefits without meeting spend down requirements in any of the months. As of June 2011, there were 24,315 participants in the spend down program.

Spend down is an eligibility status given to participants with disabilities or age 65 and over whose income is too high to qualify for normal Medicaid benefits but who may qualify after incurring a pre-determined amount of medical costs during the month of service. The monthly spend down amount for which a participant is responsible may range from only a few dollars up to several thousand dollars depending on the participant's income. A spend down participant is considered eligible for Medicaid each month after the monthly spend down amount has been met. A participant may meet the spend down requirement by paying the monthly spend down amount directly to the DSS each month, or by submitting to an FSD caseworker medical bills for which the participant is responsible.

During our test of 60 Medicaid and CHIP claims paid, we reviewed 9 claims for spend down participants and noted 1 paid claim where the participant had not met the required monthly spend down amount. The claim was a Medicare cross-over claim, for which Medicare was the primary payer and Medicaid was paying the remainder of the allowed amount. The dates of service on the claim extended between February and May 2011. However, the participant had not met the required monthly spend down amount for February; therefore, the participant was ineligible for Medicaid on the February date of service. An MMIS programming error related to system edits for claims paid for spend down participants with dates of service extending across 2 or more months was also identified by the MHD in December 2010; therefore, this was not an isolated incident. The programming error was corrected by the MHD in June 2011.

The payments related to the claim tested totaled \$109. We question the federal share of the total payments, or \$78 (71.61 percent). Similar claims could have been improperly paid for additional spend down participants with Medicaid claims spanning more than one month. However, the MHD has not performed the review necessary to identify the total amount of payments made in error. If similar errors were made on the remaining population of spend down cases, questioned costs could be significant.

**WE RECOMMEND** the MHD

- A. Ensure the override authorizations are properly completed and approved by appropriate employees. In addition, the MHD should resolve questioned costs with the grantor agency.
- B. Ensure the proper completion and authorization of the Security Access Request forms for employees obtaining or changing access in the MMIS.
- C. Identify and resolve questioned costs with the grantor agency related to spend down participant claims paid in error.

**AUDITEE'S RESPONSE**

*We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.*

2011-23.	Participant Eligibility
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program
	2010 - 1005MO05021
	93.778 Medical Assistance Program
	2010 - 1005MO5MAP and 1005MO5ADM
	2011 - 1105MO5MAP and 1105MO5ADM
	93.778 ARRA - Medical Assistance Program
	2009 - 0905MOARRA
	2010 - 1005MOARRA
	2011 - 1105MOARRA and 1105MOEXTN
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	\$2,620

Adequate controls are not in place to ensure all required documentation is obtained and maintained supporting eligibility of participants related to the Medical Assistance Program and the Children's Health Insurance Program (CHIP). As a result, the DSS could not demonstrate compliance with eligibility requirements for some participants reviewed.

The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD, while the FSD is charged with determining the eligibility of Medicaid and CHIP participants. During the year ended June 30, 2011, Medicaid and CHIP payments totaled approximately \$8.3 billion, of which approximately \$5.9 billion was claimed as federal expenditures. There were approximately 1.2 million Medicaid and CHIP participants active for at least part of fiscal year 2011.

The FSD did not obtain or maintain all documentation required for eligibility for 3 of 60 Medicaid and CHIP participants reviewed (5 percent). As a result, the DSS could not demonstrate these participants were eligible to receive benefits during the year ended June 30, 2011. The following problems were noted during our testing:

- A Social Security Number (SSN) was not obtained at the time the Medicaid application was submitted or after the grace period expired for one participant reviewed. Federal regulation 42 CFR Sections 435.910 and 457.340 require applicants furnish their SSNs when applying for Medicaid or the CHIP. If the applicant does not have the SSN available, the state may grant a grace period for the participant to furnish the SSN. This participant's grace period expired November 22, 2009; however, the participant remained eligible in the system until October 15, 2010, when the participant's responsible party did not respond to the annual eligibility redetermination request.
- Citizenship was not verified during determination of eligibility for one Medicaid participant reviewed. Federal regulation 42 CFR Sections 435.406 and 435.407 and the state plan for the CHIP require applicants provide documentary evidence of citizenship or national status. If the applicant does not have proof of citizenship, the state may grant a grace period to furnish the documentation. This participant's grace period expired June 8, 2011, at which time the eligibility should have ended. When we brought this issue to management's attention in December 2011, DSS personnel requested proof of citizenship from the participant. However, the proof of citizenship was never provided and the eligibility for this participant was ended in January 2012.
- Income was not verified during a December 2010 eligibility redetermination for one Medicaid participant reviewed. Federal regulation 42 CFR, Sections 435.948, 435.952 and 457.350 require states to request and use income and wage information when determining eligibility for Medicaid and CHIP participants. Without verifying income, the DSS cannot ensure the participant remained eligible.

DSS personnel could not explain why the case workers approved the eligibility for the above participants without obtaining and verifying the necessary documentation.

Case workers are to obtain and document various information from applicants and enter it into the Family Assistance Management Information System (FAMIS). The FAMIS automates the application process and determines eligibility for Medicaid and other DSS programs based on the information entered. Monthly, supervisors review a small sample of cases processed by each case worker. However, if a case has missing information for

which the applicant has been given a grace period to provide, there is no subsequent control to ensure this information is eventually received. While case workers can set their own system reminders, the system does not automatically set reminders. In addition, supervisors are not required to later follow up on sampled cases for which information was pending.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility. The ineligible payments made on behalf of the participants mentioned above totaled \$3,717 during the year ended June 30, 2011. We question the federal share of the total payments or \$2,620 (70.49 percent).

Medical payments associated with known questioned costs identified above represented payments made on behalf of participants for 5 percent of Medicaid and CHIP participants reviewed. If similar errors were made on the remaining population of Medicaid and CHIP participants, questioned costs could be significant.

**WE RECOMMEND** the DSS ensure all information required to determine participant eligibility is obtained, verified, and retained to ensure compliance with applicable federal requirements. In addition, the DSS should resolve questioned costs with the grantor agency.

#### **AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

2011-24.	Pharmacy Dispensing Fees
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Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO05021 93.778 Medical Assistance Program 2010 - 1005MO5MAP and 1005MO5ADM 2011 - 1105MO5MAP and 1105MO5ADM 93.778 ARRA - Medical Assistance Program 2009 - 0905MOARRA 2010 - 1005MOARRA 2011 - 1105MOARRA and 1105MOEXTN
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	\$6,909,934

The MHD has periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program and the Children's Health Insurance

Program (CHIP); however, the state regulation authorizing these dispensing fees has not been updated since 1988. In addition, the MHD does not have adequate documentation to support the determination of the current dispensing fee structure. The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans.

In addition to paying pharmacies for the cost of each prescribed drug, the MHD also pays pharmacies a base fee of \$4.84 for dispensing each participant's prescription. However, this dispensing fee is higher than the amount established under 13 CSR 70-20.060(1), which states, "a dispensing fee of three dollars shall be added to the Medicaid Maximum allowable payment for each Missouri Medicaid reimbursable prescription filled or refilled by a pharmacy provider." In addition, in 1991 the DSS, as part of a settlement agreement, agreed to amend the Medicaid State Plan to increase the Medicaid pharmacy dispensing fee to \$4.09 per prescription. However, while the payment amount was increased as required by the agreement, neither the State Plan nor the CSRs were updated to reflect this amount. The State Plan was updated to add general wording indicating the state would pay the applicable fee at the time the prescription is filled, but again, no specific dollar amount was noted.

Federal regulation 42 CFR Section 431.10(b)(2) requires the state to establish the legal authority for the Medicaid agency to administer the Medicaid State Plan, including making rules and regulations to follow in administering the plan. In accordance with this CFR, the Medicaid State Plan lists the various statutes allowing the DSS to establish rules and regulations to administer the plan. The MHD has created CSRs, such as the one mentioned above, to administer the Medicaid program. However, failure to update the related regulations when fee structures are changed causes the MHD to be noncompliant with its own regulations in administering the Medicaid State Plan.

In addition, the MHD does not have adequate documentation to support the dispensing fee amounts currently paid. MHD personnel stated the dispensing fee is based on a 2007 national survey of pharmacy companies, which shows the median cost of dispensing prescription drugs nationwide. However, MHD cannot demonstrate the amount used is reasonable for Missouri.

Federal regulations 42 CFR Sections 447.203 and 457.238, indicate the Medicaid and CHIP agencies, respectively, must maintain documentation of payment rates. Further, 42 CFR Section 447.203, requires when payment rates are increased, the Medicaid agency must record, in state manuals or other official files, the various information to support the increases. This includes, "an estimate of the percentile of the range of customary charges ... and a description of the methods used to make the estimate," as well as, "an estimate of the composite average percentage increase of the revised payment rates over the preceding rates." Additionally, the CHIP State Plan indicates, "the state assures that services are provided in an effective and efficient manner through free and open competition or through basing rates on other public and private rates that are actuarially sound." Without ensuring the basis for the increased dispensing fee was properly

documented or showing the new rates are actuarially sound, the MHD cannot demonstrate the increases in these fees are allowed under federal law.

The MHD paid pharmacies base dispensing fees totaling \$62,331,717 during the year ended June 30, 2011. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled \$52,672,877, a difference of \$9,658,840. We question the federal share of the increased payments, or \$6,909,934 (71.54 percent).

**WE RECOMMEND** the MHD ensure state regulations related to administration of the Medicaid program and the CHIP are updated when changes are justified, and resolve questioned costs with the grantor agency. In addition, the MHD should ensure increases in payment rates are adequately supported and actuarially sound, as required by federal guidelines.

### **AUDITEE'S RESPONSE**

*We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

2011-25.	Report Reviews
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO05021 93.778 Medical Assistance Program 2010 - 1005MO5MAP and 1005MO5ADM 2011 - 1105MO5MAP and 1105MO5ADM 93.778 ARRA - Medical Assistance Program 2009 - 0905MOARRA 2010 - 1005MOARRA 2011 - 1105MOARRA and 1105MOEXTN
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have effective controls in place for the production and review of some reports necessary to ensure compliance with participant enrollment or paid claim requirements of the Medical Assistance Program. The Medical Assistance Program, also known as Medicaid, and the Children's Health Insurance Program (CHIP) are administered by the MHD.

- A. The MHD identifies Medicaid and CHIP claims requiring post-payment reviews and generates daily exception reports; however, these reports were not reviewed during the year ended June 30, 2011.

Providers submit claims for payment through the state's Medicaid Management Information System (MMIS). Claims are processed through various edits in the system to ensure the data is valid and the billing of the services complies with DSS policies. The MMIS edits have various status codes, which identify a claim as paid, suspended, or denied. One status allows the claims to be paid, but posts the claims to a daily exception report to be reviewed further for possible recoupment. This daily report only lists claims with exceptions for each specific day the report is run and is not a cumulative report. Therefore, each daily report would need to be reviewed to ensure all identified exceptions are properly evaluated. However, this daily report was not reviewed at all during the year ended June 30, 2011. As an example, claims listed on the December 31, 2010, daily exception report totaled over \$1 million. Without reviewing paid claims that have been identified as possible erroneous billings, there is less assurance abusive billing practices will be detected on a timely basis.

- B. The MHD could not ensure all Medicaid participants who also qualify for Medicare were properly enrolled or removed from the Medicare Buy-In program because some reports necessary to identify these participants were not generated and/or reviewed during the year ended June 30, 2011.

Under the Buy-In program, the MHD may enroll certain eligible participants in Medicare Part A and Part B and use Medicaid funds to pay the premiums, deductibles, cost sharing, and other charges, as allowed by federal regulations 42 CFR Section 406.26 and 42 CFR Section 431.625. This program is cost-beneficial to the state because the federal Medicare program is the primary insurance and Medicaid is the secondary insurance for the participants. MHD responsibilities for the Buy-In program include identifying existing Medicaid participants eligible for Buy-In, maintaining the records of Buy-In participants, removing participants when they become ineligible, and verifying payments for Medicare premiums made to the Federal government.

Several reports are generated and reviewed to ensure the proper enrollment of participants in the Buy-In program. While the reports are system-generated and the DSS reviews most of these reports, we identified issues with two reports. One report lists participant additions and deletions the computerized system was unable to process automatically. This report was not generated or reviewed during the year ended June 30, 2011, because a change in the eligibility system stopped this report from being generated and MHD personnel could not determine how to resolve the issue until August 2011. Another report lists Medicaid participants with changes to their eligibility that may result in adding or removing the participant from the Buy-In program. The eligibility system change also affected this report. Although this report was generated, the number of records on the report increased significantly, causing the unit to fall behind in reviewing the report. As of July 2011, the Buy-In Unit was approximately 6 months behind in processing additions to the Buy-In program from this report and 2 months behind in processing deletions.



Without generating and reviewing lists of participants whose cases did not process properly or had eligibility changes, the MHD is not able to ensure only eligible Medicaid participants are properly enrolled in the Buy-In program.

- C. Various monthly Managed Care eligibility reports were not retained for the year ended June 30, 2011.

Medicaid and CHIP participants in certain counties may be enrolled in Managed Care organizations. The state pays preset monthly capitation payments to the organizations for each participant instead of paying for medical services directly. To ensure capitation payments are paid for only eligible participants, the MHD produces and reviews various eligibility reports. While some reports were produced and retained, MHD personnel indicated reports for the following three areas were produced but not retained for the year ending June 30, 2011: participants who had passed away and should be removed from eligibility, newborn participants who should be added to the Managed Care program, and participants whose eligibility dates might have had errors. The MHD changed the reporting software during the year ended June 30, 2011, and MHD personnel were not aware the software did not retain the reports. According to 42 CFR Section 438.66, the MHD must have procedures for monitoring enrollment and disenrollment of Managed Care participants. Without retaining these reports, the MHD cannot demonstrate compliance with this requirement.

**WE RECOMMEND** the MHD:

- A. Review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.
- B. Ensure the production and review of all reports related to enrolling and removing Medicaid participants from the Medicare Buy-In program to ensure compliance with federal requirements.
- C. Ensure the production and retention of all reports related to enrollment in the Managed Care program to demonstrate compliance with federal requirements.

**AUDITEE'S RESPONSE**

*We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.*

<b>2011-26.</b>	<b>Spend Down</b>
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Federal Agency: Department of Health and Human Services (DHHS)  
Federal Program: 93.778 Medical Assistance Program  
2010 - 1005MO5MAP and 1005MO5ADM

2011 - 1105MO5MAP and 1105MO5ADM  
93.778 ARRA - Medical Assistance Program

2009 - 0905MOARRA

2010 - 1005MOARRA

2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - Family Support Division  
(FSD) and MO HealthNet Division (MHD)

FSD caseworkers did not always properly determine eligible expenses to count toward participant spend down requirements, causing some participants to be considered eligible for Medical Assistance Program benefits before they had actually met their spend down amount. This may have caused participants to receive Medical Assistance Program coverage for which they were not eligible.

The Medical Assistance Program, also known as Medicaid, is administered by the MHD. The FSD is charged with determining the eligibility of Medicaid participants. Spend down is an eligibility status given to persons with disabilities or age 65 and over whose income is too high to qualify for normal Medicaid benefits but who may qualify after incurring a pre-determined amount of medical costs during the month of service. The monthly spend down amount for which a participant is responsible may range from only a few dollars up to several thousand dollars depending on the participant's income. A spend down participant is considered eligible for Medicaid each month after the monthly spend down amount has been met.

A participant may meet the spend down requirement by paying the monthly spend down amount directly to the DSS each month, or by submitting to an FSD caseworker medical bills for which the participant is responsible. If the participant submits medical bills, federal regulation 42 CFR Section 435.121 (f)(1)(iii), requires the participant to have incurred the expense and the expense cannot be subject to payment by a third party, such as Medicare or other insurance. Medicaid eligibility for the participant starts monthly on the date the participant has incurred expenses equal to or above the spend down amount and only medical bills incurred after that point may be paid by Medicaid. As of June 2011, there were 24,315 participants in the spend down category, 9,136 of whom met the spend down requirement by submitting bills incurred and also had other insurance.

In October 2011, FSD officials discovered some caseworkers were counting expenses toward the spend down requirement which were paid by, or expected to be paid by, a third party. However, as explained above, these expenses are not allowable spend down costs under federal program rules. At that time, FSD officials took steps to ensure all spend down cases were handled in accordance with federal law. However, numerous participants and providers questioned the FSD regarding the changes due to concerns about participants no longer receiving coverage for the health care they needed. In order to assess the situation and the impact to the participants, the FSD halted the corrective action, and as of January 2012, DSS officials were still determining how to correct this federal noncompliance with the least disturbance to participants as possible.

In February 2012, to identify all participants impacted by incorrect eligibility determinations, FSD caseworkers began reviewing all Medicaid participants in the spend down program who qualified by submitting bills incurred. However, the DSS has not yet determined the full extent of this issue and has not taken steps to determine how much, if any, in improper claims were paid.

**WE RECOMMEND** the DSS work with the grantor agency to resolve this issue to ensure the correct application of the spend down requirements.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*

**Additional State Auditor's Reports:**

The Missouri State Auditor's Office regularly issues management reports on various programs, agencies, divisions, and departments of the state of Missouri. Management reports may include issues relating to the administration of federal programs. Reports issued during fiscal year 2011 and through current were analyzed to determine if any issues noted in these reports were required to be reported in this Schedule of Findings and Questioned Costs in accordance with Section .510(a) of OMB Circular A-133. Findings noted in these reports are not required to be reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

STATE OF MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 2010, and the findings from the prior audits for the years ended June 30, 2009 and 2008, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and report as a current year finding, when the auditor concludes the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 2009, is as follows:

Findings numbered 2A, 2C, 4A-C, 5, 7-11, 13, 14A-C, 15B and 16 were corrected.

Findings numbered 1, 2B, 3, 6A, 6B, 12, 15A, 17, and 18 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2008, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 2A, 2B, 6, 7A, 8A, 8B, 9A and 10, which are included in the Summary Schedule of Prior Audit Findings.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### 2008-2A. Capital Assets

**Federal Agency:** Department of Defense  
**Federal Program:** 12.401 National Guard Military Operations and Maintenance Projects  
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000  
**State Agency:** Department of Public Safety - Adjutant General (AG)

Some assets purchased during fiscal year 2008 were not properly accounted for in the AG's capital asset tracking system and were not assigned a property tag or capital asset number. In addition, the AG did not perform adequate periodic inventories to ensure capital assets were retained and used appropriately.

#### **Recommendation:**

The AG ensure all equipment is properly entered into the capital asset tracking system and assigned a property tag number. In addition, the AG should develop and implement a process to ensure capital assets are appropriately accounted for on the annual physical inventories. The inventories should be completed by someone without physical custody of the assets, or at a minimum, reviewed by someone independent.

#### **Status of Finding:**

Of the \$213,703 in capital assets that were not assigned property tags or capital asset numbers, 92 percent have been identified and 8 percent are 100 percent completed. The 92 percent has been identified and is in the process of being tagged and entered into the capital asset system. Provided the agency is not called upon to manage numerous state emergency duties or other unforeseen emergencies, we anticipate fiscal year 2008 being resolved by the end of fiscal year 2012.

**Contact Person:** Jill Delgado  
**Phone Number:** (573) 638-9574

### 2008-2B. Capital Assets

**Federal Agency:** Department of Defense  
**Federal Program:** 12.401 National Guard Military Operations and Maintenance Projects  
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000  
**State Agency:** Department of Public Safety - Adjutant General (AG)

AG personnel did not complete a reconciliation between the expenditure and capital asset records in the SAM II system.

#### **Recommendation:**

The AG ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

**Status of Finding:**

The reconciliation between the expenditures and capital asset records in the SAM II system is complete and we are in the process of getting the documents entered. We anticipate this being completed by the end of fiscal year 2012.

**Contact Person:** Jill Delgado

**Phone Number:** (573) 638-9574

**2008-6. Foster Care - Court Contracts**

**Federal Agency:** Department of Health and Human Services

**Federal Program:** 93.658 Foster Care - Title IV-E  
2007 - G0701MO1401 and 2008 - G0801MO1401

**State Agency:** Department of Social Services (DSS) - Children's Division (CD)

**Questioned Costs:** \$216,178

The DSS received federal reimbursement for administrative costs associated with services provided by juvenile officers and guardians ad litem, although such costs did not appear allowable in the Foster Care program. During fiscal year 2008, the DSS claimed reimbursement of such costs totaling \$432,356. We questioned the federal share of \$216,178.

**Recommendation:**

The DSS through the CD, ensure Foster Care costs claimed for federal reimbursement are allowable Foster Care expenses. In addition, the DSS should resolve the questioned costs with the grantor agency.

**Status of Finding:**

In fiscal year 2010, the DSS ceased claiming Title IV-E for contracts with juvenile courts for deputy juvenile officer services and guardian ad-litem services. Juvenile courts were notified that their contracts would be cut in half in fiscal year 2010 to account for the loss of federal funds to support the initiative. In fiscal year 2011 the DSS eliminated contracts with juvenile courts for deputy juvenile officer services and guardian ad-litem services.

**Status of Questioned Costs:**

The Department of Health and Human Services, Administration for Children and Families disallowed the questioned costs in a letter dated June 6, 2011. The DSS decreased the quarter ending June 30, 2011, Title IV-E financial report to settle the disallowed costs of \$216,178.

**Contact Person:** Patrick Luebbering

**Phone Number:** (573) 751-2170



<b>Federal Agency:</b>	Department of Health and Human Services
<b>Federal Program:</b>	93.658 Foster Care - Title IV-E 2007 - G0701MO1401 and 2008 - G0801MO1401
<b>State Agency:</b>	Department of Social Services (DSS) - Children's Division (CD)
<b>Questioned Costs:</b>	\$9,511

**Recommendation:**

**Status of Finding:**

**Status of Questioned Costs:**

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2008-8A.**                      Foster Care - Eligibility and Assistance Payments

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.658 Foster Care - Title IV-E  
   2007 - G0701MO1401 and 2008 - G0801MO1401  
**State Agency:**        Department of Social Services (DSS) - Children's Division (CD)  
**Questioned Costs:**    \$2,790

The DSS did not maintain sufficient documentation to support eligibility or did not comply with federal requirements for some cases. For one case reviewed, the DSS could not locate a court order indicating the removal of the child from the home was in the child's best interest. Payments relating to this case, totaling \$4,484, were charged to the Foster Care program. We questioned the federal share of \$2,790. In addition, for other cases reviewed, the DSS did not comply with federal requirements and file or join a petition to file for termination of parental rights (TPR) or document compelling reasons for not pursuing termination; or TPR was not initiated within the required timeframe.

**Recommendation:**

The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care judicial determinations contain specific language required by federal regulations, and that petitions to terminate parental rights are filed for parents whose children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented.

**Status of Finding:**

A Practice Alert was issued to all CD staff on July 15, 2009, informing staff that they must obtain a copy of the initial court order indicating that removal from the home was in the child's best interest and file the order in the case record. The Practice Alert also states that when TPR is required, CD staff must file or join a petition for TPR, or document compelling reasons for not pursuing termination within required timeframes.

**Status of Questioned Costs:**

The Department of Health and Human Services, Administration for Children and Families disallowed the questioned costs in a letter dated June 6, 2011. The DSS decreased the quarter ending June 30, 2011, Title IV-E financial report to settle the disallowed costs of \$2,790.

**Contact Person:** Sheila A. Tannehill  
**Phone Number:** (573) 751-8962

**2008-8B.**                      Foster Care - Eligibility and Assistance Payments

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.658 Foster Care - Title IV-E  
   2007 - G0701MO1401 and 2008 - G0801MO1401

**State Agency:** Department of Social Services (DSS) - Children's Division (CD)  
**Questioned Costs:** \$1,747

Sufficient documentation, such as invoices or other supporting documentation, could not be located for some payments for some cases where payment documentation was required. In addition, for some cases, the benefit payments exceeded the annual clothing allowance, and for another case, the maintenance payments were incorrectly calculated. For these cases, payments totaling \$2,807 were unallowable and/or unsupported by adequate documentation. We questioned the federal share of \$1,747.

**Recommendation:**

The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care payments are allowable and supported by adequate documentation.

**Status of Finding:**

Effective August 1, 2010, the CD implemented a new payment system as the final component of its Statewide Automated Child Welfare Information System (SACWIS), along with new business practices and controls for processing Foster Care eligibility and assistance payments. Under the new payment system, an internal control structure was implemented requiring Central Office Payment Unit approval, in addition to local county office approval, for all clothing, transportation and many other foster care payments. Filing of the final payment documentation is now maintained by the Central Office Payment Unit. Also, effective August 1, 2010, the CD implemented a new system and business practices for child care assistance payments for protective services clients. Under the new system, additional edits are in place to ensure child care payments are made on behalf of eligible children.

Department of Health and Human Services (DHHS), Administration for Children and Families (ACF) staff responsible for oversight of the SACWIS were onsite during the week of March 29, 2011, to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation; those recommendations have been taken under advisement as the DSS enhances SACWIS over the next year to ensure the system complies with federal requirements.

The CD issued a practice point to staff reminding them of the policies around payment documentation, retention and filing (dated May 11, 2011). The Division of Finance and Administrative Services is strengthening department quality assurance and compliance functions to provide better monitoring of and technical assistance to staff with fiscal responsibilities.

**Status of Questioned Costs:**

The DHHS-ACF disallowed the questioned costs in a letter dated June 6, 2011. The DSS decreased the quarter ending June 30, 2011, Title IV-E financial report to settle the disallowed costs of \$1,747.

**Contact Person:** Sheila A. Tannehill

**Phone Number:** (573) 751-8962

**2008-9A.                    Vocational Rehabilitation Program**

**Federal Agency:** Department of Education

**Federal Program:** 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
2007 - H126A0700372 and 2008 - H126A080037

**State Agency:** Department of Social Services - Family Support Division (FSD) -  
Rehabilitation Services for the Blind (RSB)

**Questioned Costs:** \$3,444,779

The FSD did not establish procedures to ensure adequate supporting documentation was prepared for personnel costs charged to the Vocational Rehabilitation (VR) grant. Personnel costs charged to the VR grant during state fiscal year 2008 for which the supporting documentation was inadequate or not prepared totaled \$4,377,102 of which we questioned the federal share of costs totaling \$3,444,779.

**Recommendation:**

The FSD resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

**Status of Finding:**

The FSD-RSB has modified and implemented the processes to ensure compliance with regulations regarding personnel cost allocations effective July 1, 2009, with more recent modifications to improve the quality management and verification of accuracy. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards as dictated in regulations. The FSD-RSB and the Division of Finance and Administrative Services continue to meet on a regular basis to improve communications and ensure compliance with regulations and documentation for auditors.

**Status of Questioned Costs:**

This finding is the subject of continued discussion with the grantor agency, but no resolution has yet been realized.

**Contact Person:** Mark Laird

**Phone Number:** (573) 751-4249

**2008-10.                      Medical Assistance Program**

**Federal Agency:** Department of Health and Human Services

**Federal Program:** 93.778 Medical Assistance Program  
2007 - 0705MO5028 and 0705MO5048  
2008 - 0805MO5028 and 0805MO5048

**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD)  
and MO HealthNet Division (MHD)

**Questioned Costs:** \$2,048

Various documentation detailing eligibility of recipients, payments to providers, and payment overrides could not be located related to the above referenced program.

- A. Eligibility documentation could not be located by FSD for one Medicaid case file reviewed. Medical payments made on behalf of the client during the year ended June 30, 2008, totaled \$3,297. We questioned the federal share of the total payments or \$2,048.
- B. Medicaid Eligibility Quality Control System documentation could not be located and/or was not adequate for some cases reviewed.
- C. Medicaid payment override documentation could not be located for one case file reviewed.
- D. Medicaid payment documentation could not be located by the MHD for one Program Integrity Unit's post payment case file reviewed.

**Recommendation:**

The DSS through the FSD and MHD ensure complete case files are maintained and/or documentation is adequate to ensure compliance with applicable federal requirements related to the Medicaid program. In addition, the FSD should resolve questioned costs with the grantor agency.

**Status of Finding:**

A&B. Per the FSD's previous response, we hold that missing case file documentation is not substantial enough ground to presume eligibility error, thereby warranting questioned costs. Eligibility determination information is maintained electronically in the Family Assistance Management Information System; the lack

of a "hard case record" does not affect the eligibility. The agency did, however, develop and distribute a memorandum (IM-72, dated December 1, 2010) to all the county offices discussing maintenance of hard-copy case files, specifying documents that should be retained.

- C. The MHD Participant Services Unit implemented new procedures for tracking, monitoring and retaining claim payment override documentation in December 2008.
- D. The MHD Program Integrity Unit modified the procedures for the state audit sample and updated the tracking system in March 2009.

**Status of Questioned Costs:**

Questioned costs were adjusted by the Division of Finance and Administrative Services on the September 30, 2010 quarterly report (finalized October 2010). Email received from the Department of Health and Human Services, Centers for Medicare and Medicaid Services on September 14, 2011, says this finding is closed.

**Contact Person:** Sandra Nelson and Julie Creach  
**Phone Number:** (573) 751-3124 and (573) 751-6922

**2009-1.                      Untimely Teacher Loan Forgiveness Payments**

**Federal Agency:** Department of Education  
**Federal Program:** 84.032 Federal Family Education Loans - Guaranty Agencies  
**State Agency:** Department of Higher Education (DHE)  
**Questioned Costs:** \$502,851

The DHE did not have adequate controls in place to ensure payments were made to lenders within the 45 days required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2009, payments totaling approximately \$2.25 million were made for 311 TLF claims. We questioned the federal share of 75 untimely payments, or \$502,851.

**Recommendation:**

The DHE work with the loan servicer to establish adequate controls and monitoring procedures to ensure TLF payments are made in a timely manner in accordance with federal regulations. In addition, the DHE should resolve the questioned costs with the grantor agency.

**Status of Finding:**

The DHE's loan servicer implemented procedures to ensure that eligible TLF claims are paid within 45 days of receipt. In addition, the DHE updated its internal procedures and now reviews all approved TLF claims weekly to verify the lender was paid within 45 days.

**Status of Questioned Costs:**

The DHE disagreed with the questioned costs. To date, the Department of Education has not followed up with the DHE on this audit finding or required any action relating to the questioned costs.

**Contact Person:** Carla Hancock

**Phone Number:** (573) 522-1363

**2009-2B.                    Benefit Payments**

**Federal Agency:** Department of Labor

**Federal Program:** 17.225 Unemployment Insurance

17.225 ARRA - Unemployment Insurance

2008 - UI-16756-08-55-A-29 and 2009 - UI-18030-09-55-A-29

**State Agency:** Department of Labor and Industrial Relations (DLIR)

Controls and procedures related to the computer system used to manage unemployment benefits were not adequate. For two accounts reviewed, we noted benefits from a previous level were initially exhausted, but due to identifying the claimants' failure to report wages earned, overpayments of benefits totaling \$944 were detected. Since these overpayments were made from a level that was previously exhausted, when repaid or recouped, that previous level's benefits would no longer actually be exhausted. As a result, the potential existed that these benefits would not subsequently be paid to the claimants when owed.

**Recommendation:**

The DLIR ensure overpayments caused by the claimant's failure to report wages are properly reviewed and handled, and any benefits due to the claimant are paid.

**Status of Finding:**

The corrective actions have been implemented. DLIR employees currently identify on a daily list each claim that had previously exhausted benefits and now has a restored balance due to the establishment of subsequent overpayments. Written procedures were hand delivered to Benefit Payment Control Unit personnel assigned to work on claims with restored balances on or before June 1, 2011. Assigned staff began working on these restored balance claims on June 1, 2011. The Department of Labor's (DOL) Final Determination was issued September 6, 2011. In this determination, the DOL found that the information, procedures, and written documentation submitted is sufficient to determine that this finding is corrected.

**Contact Person:** Carol Luecke

**Phone Number:** (573) 751-4012

**2009-3.**                      Reporting

**Federal Agency:**     Department of Labor  
**Federal Program:**    17.225 Unemployment Insurance  
                                 17.225 ARRA - Unemployment Insurance  
                                 2008 - UI-16756-08-55-A-29 and 2009 - UI-18030-09-55-A-29  
**State Agency:**        Department of Labor and Industrial Relations (DLIR)

Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely. Available tracking reports were apparently not used to ensure compliance in filing reports timely.

**Recommendation:**

The DLIR improve procedures to ensure applicable reports are filed with the Department of Labor (DOL) within the required timeframe. The DLIR should ensure adequate oversight over the reporting process and utilize the tracking reports to monitor the timeliness of reports.

**Status of Finding:**

The corrective actions have been implemented. DLIR implemented procedures to ensure that applicable reports are filed within the required time frame. The DLIR also implemented oversight of the reporting process to ensure reports are accurate and filed timely. These new procedures include: Grant Accounting Process and Procedures, 9130 Reporting Procedures, and 2112 and Other Reports - Reporting Procedures. The DOL's Final Determination regarding finding 2010-10 was issued September 6, 2011. In this determination, the DOL found this finding is corrected.

**Contact Person:** Spencer Clark  
**Phone Number:** (573) 751-3366

**2009-6A.**                      Capital Assets

**Federal Agency:**     Department of Defense  
**Federal Program:**    12.401 National Guard Military Operations and Maintenance Projects  
                                 2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000  
**State Agency:**        Department of Public Safety - Adjutant General (AG)

Some assets purchased during fiscal year 2009 had not been properly accounted for in the AG's internal capital asset tracking system or the SAM II accounting system's capital asset tracking system, and some assets had not received a property tag and asset number. In addition, the AG had not performed physical inventories during fiscal year 2009 at any of the offsite locations housing the assets.



**Recommendation:**

The AG ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II capital asset tracking systems. In addition, the AG should ensure annual physical inventories are performed and continue to investigate the backlog of untagged capital assets.

**Status of Finding:**

Of the \$21,474 in capital assets that were not assigned property tags or capital asset numbers, 100 percent have been identified and are in the process of being tagged and entered into the capital asset system. Provided the agency is not called upon to manage numerous state emergency duties or other unforeseen emergencies, we anticipate fiscal year 2009 being resolved by the end of fiscal year 2012. Of the AG property books, 10 percent have been inventoried and an additional 7 percent are scheduled through January 2012.

**Contact Person:** Jill Delgado  
**Phone Number:** (573) 638-9574

**2009-6B.**                      Capital Assets

**Federal Agency:**        Department of Defense  
**Federal Program:**      12.401 National Guard Military Operations and Maintenance Projects  
   2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000  
**State Agency:**         Department of Public Safety - Adjutant General (AG)

AG personnel had not completed a reconciliation between the expenditure and capital asset records in the SAM II system. While a reconciliation was in progress, as of January 2010, approximately \$1.2 million of the \$3.8 million in capital asset expenditures from fiscal year 2002 through fiscal year 2009 had not been reconciled.

**Recommendation:**

The AG ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

**Status of Finding:**

Of the approximate \$1.2 million in fixed assets that had not been reconciled from fiscal years 2002 through 2009, all have been reconciled and \$235,177 is in the process of being tagged and entered into SAM II. Provided this agency is not called upon to manage numerous state emergency duties or other unforeseen emergencies, I anticipate this being resolved by the end of fiscal year 2012.

**Contact Person:** Jill Delgado  
**Phone Number:** (573) 638-9574

**2009-12.**                      Cost Allocation Procedures

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.558 Temporary Assistance for Needy Families  
                                    2007 - G0701MOTANF  
                                    2008 - G0801MOTANF  
                                    2009 - G0901MOTANF  
                                    93.658 Foster Care - Title IV-E  
  2008 - G0801MO1401 and 2009 - G0901MO1401  
                                    93.659 Adoption Assistance  
  2008 - G0801MO1407 and 2009 - G0901MO1407  
                                    93.778 Medical Assistance Program  
  2008 - 0805MO5028 and 0805MO5048  
  2009 - 0905MO5028 and 0905MO5048  
**State Agency:** Department of Social Services (DSS) - Division of Finance and  
Administration (DFAS)  
**Questioned Costs:** \$666,189

The DSS did not establish procedures to ensure all payments to Caring Communities partnerships were allowable and allocable to the various federal programs. Some of the costs associated with the partnerships were allocated through a cost pool based on the percentage of time worked by Children's Division employees on certain federal programs rather than based on actual services provided by the partnerships. As a result, we questioned \$666,189, which was the federal portion of the costs allocated to these programs through the Social Services cost pool during the year ended June 30, 2009.

**Recommendation:**

The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and establish procedures to ensure all payments to the Caring Communities partnerships are allowable and allocable to the various federal programs in accordance with OMB Circular A-87.

**Status of Finding:**

The DSS has been working with the Department of Health and Human Services (DHHS) to amend the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

**Status of Questioned Costs:**

Questioned costs have not been resolved with the grantor agency.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2009-15A.**                    Vocational Rehabilitation Program

**Federal Agency:**        Department of Education

**Federal Program:**      84.126 Rehabilitation Services - Vocational Rehabilitation Grants to  
                                 States  
                                 2007 - H126A0070037  
                                 2008 - H126A0080037  
                                 2009 - H126A0090037

**State Agency:**        Department of Social Services (DSS) - Family Support Division (FSD) -  
                                 Rehabilitation Services for the Blind (RSB) and Division of Finance and  
                                 Administrative Services (DFAS)

**Questioned Costs:**    \$1,623,730

Adequate supporting documentation was not always prepared for personnel costs, which consisted of salaries and related fringe benefits and indirect costs, charged to the Vocational Rehabilitation (VR) grant for approximately 160 employees. Personnel costs were charged solely to the VR grant for some employees who performed duties related to other programs. Personnel costs charged to the VR grant during state fiscal year 2009 for which the supporting documentation was inadequate or not prepared totaled \$2,063,188, of which we questioned the federal share of costs totaling \$1,623,730 (78.7 percent).

**Recommendation:**

The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

**Status of Finding:**

To ensure compliance with OMB Circular A-87, to document personnel salaries and wages to the benefiting grant, and to verify that dollars intended for specific costs are in fact covering those and only those costs as dictated in relevant regulations, underlying formulas used to calculate the distribution of the salaries and wages to the appropriate grant on a monthly spreadsheet used by the designated state unit (RSB) have been corrected. The RSB has also implemented a monthly verification process of comparing each person's monthly salary and wages from the RSB monthly spreadsheet to a monthly payroll extraction report from the DFAS, addressing any inconsistencies. The RSB and the DFAS continue to meet on a regular basis to improve communications, ensure compliance with federal requirements for personnel cost allocations and allocable costs, and appropriate documentation for auditors.

**Status of Questioned Costs:**

This finding is the subject of continued discussion with the grantor agency, but a resolution has yet to be agreed upon.

**Contact Person:** Mark Laird  
**Phone Number:** (573) 751-4249

**2009-17.** Child Support Enforcement - Salary Certifications

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.563 Child Support Enforcement  
2008 - G0804MO4004 and 2009 - G0904MO4004  
93.563 ARRA - Child Support Enforcement  
2009 - G090404002  
**State Agency:** Department of Social Services (DSS) - Division of Finance and  
Administrative Services and Family Support Division (FSD) - Child  
Support Enforcement (CSE)  
**Questioned Costs:** \$47,164

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. For the year ended June 30, 2009, the DSS claimed \$24,919,722 as the federal share of personnel costs, or 48 percent of the total federal share of CSE program expenditures. We questioned the federal share of the salaries, fringe benefits, and indirect costs, totaling \$47,164, for those employees excluded from the certification listing.

**Recommendation:**

The DSS through FSD, resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program in accordance with OMB Circular A-87.

**Status of Finding:**

Although the DSS disagreed with the finding, the DSS through the FSD reviewed the salary certification process and enhanced written policies and procedures, in accordance with OMB Circular A-87, to ensure salary certifications were completed for all employees who are 100 percent claimed to a specific grant. These enhancements were effective April 2010. Under Missouri's current procedures, twice a year the supervisor/administrator receives and verifies a comprehensive electronic listing of all employees working solely on a grant so that salary certifications are complete. The Department of Health and Human Services (DHHS), Administration for Children and Families (ACF) decision issued March 7, 2011, concurred with the finding and recommendation, did not sustain the questioned costs and noted that Missouri's corrective actions sufficiently addressed the finding and prevent its recurrence.

**Status of Questioned Costs:**

DHHS/ACF decision issued March 7, 2011, did not sustain the questioned costs.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2009-18.** Medical Assistance Program

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.778 Medical Assistance Program  
2008 - 0805MO5028 and 0805MO5048  
2009 - 0905MO5028 and 0905MO5048  
93.778 ARRA - Medical Assistance Program  
2009 - 0905MOARRA  
**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD)  
and MO HealthNet Division  
**Questioned Costs:** \$1,428

A redetermination was not conducted timely to determine the eligibility of a recipient related to the Medical Assistance Program (Medicaid). The medical payments made on behalf of this client before the case was closed totaled \$1,924 during the year ended June 30, 2009. We questioned the federal share of these payments or \$1,428 (74.23 percent).

**Recommendation:**

The DSS through the FSD perform eligibility redeterminations when required to ensure compliance with applicable federal Medicaid program requirements. In addition, the FSD should resolve questioned costs with the grantor agency.

**Status of Finding:**

The FSD still considers timely eligibility reinvestigations a matter of priority and continues to strive for a 100 percent reinvestigation currency. As reported by the FSD Income Maintenance Section, the reinvestigation currency percentage was 98.25 percent for state fiscal year 2011, which ended June 30, 2011.

**Status of Questioned Costs:**

Of the \$1,428 in questioned costs, \$1,216 was adjusted on the September 30 2010, quarterly report, and the balance of \$212 will be adjusted on the December 31, 2011, quarterly report.

**Contact Person:** Emily Rowe  
**Phone Number:** (573) 526-0607

**2010-1.** Davis-Bacon Act

**Federal Agency:** Department of Education  
**Federal Program:** 84.377 School Improvement Grants  
2009 - S377A080027 and 2010 - S377A090026

84.388 ARRA - School Improvement Grants, Recovery Act  
2010 - S388A090026  
84.010 Title I Grants to Local Educational Agencies  
2009 - S010A080025 and 2010 - S010A090025  
84.389 ARRA - Title I Grants to Local Educational Agencies,  
Recovery Act  
2010 - S389A090025

**State Agency:** Department of Elementary and Secondary Education (DESE)

The DESE did not ensure prevailing wages were paid by subrecipients when necessary.

**Recommendation:**

The DESE establish procedures to clearly identify funds expended by subrecipients which may require prevailing wages to be paid, and monitor those subrecipients to ensure compliance with the Davis-Bacon Act.

**Status of Finding:**

Implemented.

**Contact Person:** Andrea Beck  
**Phone Number:** (573) 751-8292

**2010-2A.** School Improvement Grants

**Federal Agency:** Department of Education  
**Federal Program:** 84.377 School Improvement Grants  
2009 - S377A080027 and 2010 - S377A090026  
84.388 ARRA - School Improvement Grants, Recovery Act  
2010 - S388A090026  
**State Agency:** Department of Elementary and Secondary Education (DESE)  
**Questioned Costs:** \$225,680

The DESE did not always ensure payments were made to subrecipients in accordance with approved budgets and DESE written policies, and budget amendments were not adequately documented. We questioned the federal share of payments made in excess of the documented approved budget category, or \$225,680 (100 percent).

**Recommendation:**

The DESE ensure all payments are made in accordance with the approved budget, federal guidelines, and written policies, and budget amendments are adequately documented. In addition, the DESE should resolve the questioned costs with the grantor agency.

**Status of Finding:**

Partially implemented. Payments are made in accordance with the approved budget, federal guidelines, and written policies, and budget amendments are adequately

documented. The Department is in the process of resolving the questioned costs with the grantor agency.

**Status of Questioned Costs:**

Pending.

**Contact Person:** Andrea Beck

**Phone Number:** (573) 751-8292

**2010-2B.** School Improvement Grants

**Federal Agency:** Department of Education

**Federal Program:** 84.377 School Improvement Grants  
2009 - S377A080027 and 2010 - S377A090026  
84.388 ARRA - School Improvement Grants, Recovery Act  
2010 - S388A090026

**State Agency:** Department of Elementary and Secondary Education (DESE)

The DESE did not question a school district's ability to spend grant monies timely, as required. The school district did not expend \$93,060 within 3 days of receipt of grant funds from the DESE, and the school district issued a \$293,195 check on September 15, 2009, to a vendor for future services.

**Recommendation:**

Establish procedures to ensure school districts appropriately expend funds received within the required time-frame.

**Status of Finding:**

Implemented.

**Contact Person:** Andrea Beck

**Phone Number:** (573) 751-8292

**2010-3.** Monitoring of Recovery Act Funds

**Federal Agency:** Department of Education

**Federal Program:** 84.386 ARRA - Education Technology State Grants, Recovery Act  
2010 - S386A090025  
84.389 ARRA - Title I Grants to Local Educational Agencies,  
Recovery Act  
2010 - S389A090025  
84.391 ARRA - Special Education Grants to States, Recovery Act  
2010 - H391A090040

84.394 ARRA - State Fiscal Stabilization Fund - Education State  
Grants, Recovery Act  
2010 - S394A090026  
84.397 ARRA - State Fiscal Stabilization Fund - Government  
Services, Recovery Act  
2010 - S397A090026

**State Agency:** Department of Elementary and Secondary Education (DESE)

The DESE did not monitor ARRA funds provided to school districts on a timely basis.

**Recommendation:**

The DESE develop additional monitoring procedures to ensure ARRA expenditures are in compliance with federal guidelines. In addition, these procedures should be performed on a timely basis.

**Status of Finding:**

Not implemented. Current monitoring procedures are adequate to comply with federal requirements.

**Contact Person:** Andrea Beck  
**Phone Number:** (573) 751-8292

**2010-4A.** Section 1512 Reporting

**Federal Agency:** Department of Education  
**Federal Program:** 84.386 ARRA - Education Technology State Grants, Recovery Act  
2010 - S386A090025  
84.388 ARRA - School Improvement Grants, Recovery Act  
2010 - S388S090026  
84.389 ARRA - Title I Grants to Local Education Agencies, Recovery Act  
2010 - S389A090025  
84.391 ARRA - Special Education Grants to States, Recovery Act  
2010 - H391A090040  
84.392 ARRA - Special Education - Preschool Grants, Recovery Act  
2010 - H392A090103  
84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants,  
Recovery Act  
2010 - S394A090026  
84.397 ARRA - State Fiscal Stabilization Fund - Government Services,  
Recovery Act  
2010 - S397A090026  
**State Agency:** Department of Elementary and Secondary Education (DESE)



The DESE did not have adequate controls and procedures in place to provide assurance Section 1512 report information submitted by school districts and universities (subrecipients) was complete and accurate.

**Recommendation:**

The DESE establish procedures to ensure the accuracy and completeness of data submitted by subrecipients for Section 1512 reporting purposes.

**Status of Finding:**

Implemented.

**Contact Person:** Andrea Beck  
**Phone Number:** (573) 751-8292

**2010-4B.**                      Section 1512 Reporting

**Federal Agency:** Department of Education  
**Federal Program:** 84.388 ARRA - School Improvement Grants, Recovery Act  
2010 - S388S090026  
**State Agency:** Department of Elementary and Secondary Education (DESE)

Payments made through the School Improvement Grants (SIG) program were not properly classified as payments to subrecipients on the Section 1512 report.

**Recommendation:**

The DESE properly classify subawards on Section 1512 reports for the SIG program.

**Status of Finding:**

Implemented.

**Contact Person:** Andrea Beck  
**Phone Number:** (573) 751-8292

**2010-4C.**                      Section 1512 Reporting

**Federal Agency:** Department of Education  
**Federal Program:** 84.386 ARRA - Education Technology State Grants, Recovery Act  
2010 - S386A090025  
84.388 ARRA - School Improvement Grants, Recovery Act  
2010 - S388S090026  
84.389 ARRA - Title I Grants to Local Education Agencies, Recovery Act  
2010 - S389A090025  
84.391 ARRA - Special Education Grants to States, Recovery Act  
2010 - H391A090040

84.392 ARRA - Special Education - Preschool Grants, Recovery Act  
2010 - H392A090103  
84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants,  
Recovery Act  
2010 - S394A090026  
84.397 ARRA - State Fiscal Stabilization Fund - Government Services,  
Recovery Act  
2010 - S397A090026

**State Agency:** Department of Elementary and Secondary Education (DESE)

The DESE did not have a formal written plan in place to address the Section 1512 reporting process.

**Recommendation:**

The DESE establish a formal written plan for all programs that require Section 1512 reporting.

**Status of Finding:**

Not Implemented. Adequate procedures are in place to ensure that Section 1512 reports are accurate and timely.

**Contact Person:** Andrea Beck

**Phone Number:** 573) 751-8292

**2010-5.** Food Instruments

**Federal Agency:** Department of Agriculture

**Federal Program:** 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children  
2007 - 07WICSPNDRFD and 3MO700754-07  
2008 - 3MO700754-08  
2009 - 09WIC, 09WICSPNDFWD, and 09BRSTFEDWIC  
2010 - 10WIC, 10WICSPNDFWD, and 10BRSTFEDWIC

**State Agency:** Department of Health and Senior Services (DHSS)

**Questioned Costs:** \$43,140

For the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the DHSS did not have adequate controls in place to ensure the disposition of voided food instruments (WIC checks) was properly accounted for as required by program regulations. We determined 2,191 (1 percent) of the voided checks in the Missouri WIC Information Network System were redeemed by participants. We questioned the federal share of the voided checks that were issued and redeemed, or \$43,140.

**Recommendation:**

The DHSS develop controls and procedures to prevent voided checks from being redeemed. In addition, the DHSS should resolve the questioned costs with the grantor agency.

**Status of Finding:**

The United States Department of Agriculture (USDA) sent the DHSS a June 3, 2011, letter requesting a Corrective Action Plan. The plan was sent to the USDA on June 15, 2011. The Corrective Action Plan was implemented effective June 10, 2011.

**Status of Questioned Costs:**

The DHSS received a bill for collection from the USDA in the amount of \$43,140 in a July 20, 2011, letter. The letter included a provision for the state agency to provide evidence, explanation or information related to the audit issue before a final determination would be made. The DHSS responded with additional detailed documentation in an August 16, 2011, letter. The USDA responded on December 8, 2011, to confirm acceptance of the corrective actions. In addition, the questioned costs have been resolved as follows:

- \$26,780 was determined by the DHSS not to be an over issuance of benefits. The food instruments were voided in error and returned to the participants.
- An additional \$1,931 was determined by the DHSS to be a combination of voided and reissued food instruments, with no over issuance of benefits.

The remaining claim of \$14,429 and any accrued interest has been forgiven by the USDA.

**Contact Person:** Lisa Brown

**Phone Number:** (573) 522-6266

**2010-6.                      Eligibility Reassessments**

**Federal Agency:** Department of Health and Human Services

**Federal Program:** 93.778 Medical Assistance Program  
2009 - 0905MO5028 and 0905MO5048  
2010 - 1005MO5MAP/XIX-MAP10 and  
1005MO5ADM/XIX-ADM10  
93.778 ARRA - Medical Assistance Program  
2009 - 0905MOARRA and 2010 - 1005MOARRA

**State Agency:** Department of Health and Senior Services (DHSS)

**Questioned Costs:** \$598,286

The DHSS did not have effective controls in place to ensure annual reassessments to determine the eligibility of recipients receiving State Plan Personal Care or Aged and Disabled Waiver services were conducted, as required. The DHSS did not perform annual reassessments of eligibility for 49 of 66 cases reviewed. The payments made on behalf of the recipients without annual reassessments during the year ended June 30, 2010, totaled

\$806,967. We questioned the federal share of these payments or \$598,286 (74.14 percent).

**Recommendation:**

The DHSS establish effective controls to ensure the annual reassessments are conducted as required. In addition, the DHSS should resolve the questioned costs with the grantor agency.

**Status of Finding:**

SynCare, LLC was awarded a competitively bid third party assessor contract on January 19, 2011, to complete assessments, reassessments, person-centered care planning, and care plan maintenance on behalf of the DHSS. The third party assessor began providing services on May 19, 2011. The state's requirement under the contract was that approximately 4,400 reassessments would be completed by the third party assessor monthly with all participant reassessments current within 12 months.

On June 29, 2011, the DHSS Director responded to a letter from the Department of Health and Human Services (DHHS), Office of the Assistant Secretary for Resources and Technology/Office of Finance, Division of Systems Policy, Payment Integrity, and Audit Resolution regarding implementation of the DHSS Corrective Action Plan as previously reported to the Office of Administration.

The DHSS began transitioning the duties performed by the third party assessor back to the Department on September 1, 2011, in response to SynCare's failure to meet the terms and conditions of its third party assessor contract. This action was necessary to ensure Missouri seniors and persons with disabilities receive the services they need in a timely and efficient manner.

The Department is working with stakeholders to develop a long-term plan for how to handle the responsibilities that were assigned to the third party assessor.

**Status of Questioned Costs:**

As noted above, the Department provided information regarding its Corrective Action Plan to the DHHS in a June 29, 2011, letter. The Department has not been contacted by the DHHS regarding this matter since that date.

**Contact Person:** Celesta Hartgraves  
**Phone Number:** (573) 526-3626

**2010-7.**                      Teacher Loan Forgiveness Payments

**Federal Agency:**        Department of Education  
**Federal Program:**      84.032 Federal Family Education Loans  
**State Agency:**         Department of Higher Education (DHE)  
**Questioned Costs:**     \$1,408,723

The DHE did not make payments to lenders within 45 days as required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2010, payments totaling approximately \$3.83 million were made for 558 TLF claims. The DHE identified 184 of these claims were paid untimely. We questioned the federal share of the 184 untimely claim payments, or \$1,408,723.

**Recommendation:**

The DHE continue monitoring to ensure TLF payments are made in a timely manner in accordance with federal regulations. In addition, the DHE should resolve the questioned costs with the grantor agency.

**Status of Finding:**

The DHE's loan servicer implemented procedures to ensure that eligible TLF claims are paid within 45 days of receipt. In addition, the DHE updated its internal procedures and now reviews all approved TLF claims weekly to verify the lender was paid within 45 days.

**Status of Questioned Costs:**

The DHE disagreed with the questioned cost. To date, the Department of Education has not followed up with the DHE on this audit finding or required any action relating to the questioned costs.

**Contact Person:** Carla Hancock  
**Phone Number:** (573) 522-1363

**2010-8A.**                      State Fiscal Stabilization Fund

**Federal Agency:** Department of Education  
**Federal Program:** 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants,  
Recovery Act  
2010 - S394A090026  
84.397 ARRA - State Fiscal Stabilization Fund - Government Services,  
Recovery Act  
2010 - S397A090026  
**State Agency:** Department of Higher Education (DHE)

The DHE had not established a monitoring plan to review State Fiscal Stabilization Fund (SFSF) funds provided to and expended by higher education institutions and did not perform any monitoring of the SFSF monies, such as on-site monitoring visits, desk reviews, or obtaining OMB Circular A-133 audit reports from the various institutions.

**Recommendation:**

The DHE develop policies and procedures for the timely monitoring over the use of SFSF program monies by the institutions to ensure compliance with federal requirements.

**Status of Finding:**

The DHE and the Office of Administration (OA) contracted with McGladrey and Pullen to monitor five of the institutions for fiscal year 2010. We obtained those monitoring results from McGladrey and Pullen and those were reviewed and sent to the OA. We are working on a contract with the OA to monitor fiscal year 2011 funds.

**Contact Person:** Pam Evers

**Phone Number:** (573) 751-1883

**2010-8B.**                      State Fiscal Stabilization Fund

**Federal Agency:** Department of Education

**Federal Program:** 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants,  
Recovery Act  
2010 - S394A090026  
84.397 ARRA - State Fiscal Stabilization Fund - Government Services,  
Recovery Act  
2010 - S397A090026

**State Agency:** Department of Higher Education (DHE)

The DHE did not identify the federal award information to each institution at the time of subaward as required by federal regulations. Additionally, each institution signed a Statement of Assurances outlining the specific ARRA compliance requirements and their responsibilities for meeting those requirements; however, the DHE did not communicate the responsibilities of the institutions to comply with additional State Fiscal Stabilization Fund program requirements or the general requirements applicable to all federal programs. Furthermore, the DHE did not communicate the responsibilities of the institutions to separately identify ARRA funds on their schedule of expenditures of federal awards, or meet OMB Circular A-133 Single Audit requirements.

**Recommendation:**

The DHE establish procedures to identify federal award information to the institutions at the time of the subaward and communicate subrecipient responsibilities under OMB Circular A-133.

**Status of Finding:**

The DHE provided award and CFDA information to each institution on March 31, 2011.

**Contact Person:** Pam Evers

**Phone Number:** (573) 751-1883

**2010-8C.**                      State Fiscal Stabilization Fund

**Federal Agency:**      Department of Education  
**Federal Program:**    84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants,  
                                 Recovery Act  
                                 2010 - S394A090026  
                                 84.397 ARRA - State Fiscal Stabilization Fund - Government Services,  
                                 Recovery Act  
                                 2010 - S397A090026  
**State Agency:**        Department of Higher Education (DHE)

The DHE did not have adequate procedures in place to provide assurance Section 1512 report information submitted by the institutions was complete and accurate.

**Recommendation:**

The DHE develop policies and procedures for the State Fiscal Stabilization Fund program to ensure the accuracy and completeness of data submitted by the institutions for Section 1512 reporting purposes.

**Status of Finding:**

A monitoring contract was put into place for fiscal year 2010 funds and a different company has been selected for fiscal year 2011 funds. Additionally, five different institutions will be chosen to be monitored, different from fiscal year 2010 institutions that were chosen. By monitoring the institutions, the accuracy and completeness of information reported will be ensured.

**Contact Person:** Pam Evers  
**Phone Number:** (573) 751-1883

**2010-9A.**                      Benefit Payments

**Federal Agency:**      Department of Labor  
**Federal Program:**    17.225 Unemployment Insurance  
                                 2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
                                 17.225 ARRA - Unemployment Insurance  
                                 2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
**State Agency:**        Department of Labor and Industrial Relations (DLIR)

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid or owed to claimants. For eight accounts reviewed, we noted benefits from a previous level were initially exhausted; however, due to the DLIR identifying the failure of the claimants to report wages earned, overpayments of benefits totaling \$3,592 were established. Since these overpayments were made from a level that had previously been exhausted, when repaid or recouped, the benefits of that previous

level would no longer be exhausted. As a result, the potential existed that these benefits would not subsequently be paid to the claimants when owed.

**Recommendation:**

The DLIR expedite efforts to resolve cases with restored balances and ensure any payments due to the claimants are paid.

**Status of Finding:**

The corrective actions were taken. DLIR employees currently identify on a daily list each claim that had previously exhausted benefits and now has a restored balance due to the establishment of subsequent overpayments. Written procedures were hand delivered to Benefit Payment Control Unit personnel assigned to work on claims with restored balances on or before June 1, 2011. Assigned staff began working on these restored balance claims on June 1, 2011. The Department of Labor's (DOL) Final Determination regarding finding 2010-9A was issued September 6, 2011. In this determination, the DOL found that the information, procedures, and written documentation submitted is sufficient to determine this finding is corrected.

**Contact Person:** Carol Luecke  
**Phone Number:** (573) 751-4012

**2010-9B.**                      Benefit Payments

**Federal Agency:**      Department of Labor  
**Federal Program:**    17.225 Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
                                    17.225 ARRA - Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
**State Agency:**        Department of Labor and Industrial Relations (DLIR)

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in establishing overpayments. For one account reviewed, an overpayment of \$4,760 (which included a \$500 overpayment of Federal Additional Compensation) was not properly established on an Emergency Unemployment Compensation Tier 1 claim due to an oversight by DLIR personnel entering the identified overpayments.

**Recommendation:**

The DLIR develop procedures to ensure all overpayments are properly established so collection can be pursued.

**Status of Finding:**

The corrective actions were taken. In March 2011, additional procedures were added to the process of entering various types of overpayments to ensure all appropriate weeks of benefits are included in the overpayment. The Department of Labor's (DOL) Final



Determination was issued September 6, 2011. In this determination, the DOL found that the information, procedures, and written documentation submitted is sufficient to determine this finding is corrected.

**Contact Person:** Carol Luecke  
**Phone Number:** (573) 751-4012

**2010-9C.**                      Benefit Payments

**Federal Agency:**      Department of Labor  
**Federal Program:**    17.225 Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
                                    17.225 ARRA - Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
**State Agency:**        Department of Labor and Industrial Relations (DLIR)

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid or owed to claimants. For eight accounts reviewed, we noted Federal Additional Compensation (FAC) overpayments totaling \$425 were not offset from other weekly benefits disbursed to claimants.

**Recommendation:**

The DLIR implement computer programming to offset FAC overpayments from other allowable benefits.

**Status of Finding:**

The corrective actions were taken. Beginning in mid-May 2011, the DLIR has corrected the programming and restitution for FAC overpayments are now being offset from any type of unemployment benefits. The Department of Labor's (DOL) Final Determination was issued September 6, 2011. In this determination, the DOL found that the information and written documentation submitted is sufficient to determine this finding is corrected.

**Contact Person:** Carol Luecke  
**Phone Number:** (573) 751-4012

**2010-10.**                      Reporting

**Federal Agency:**      Department of Labor  
**Federal Program:**    17.225 Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
                                    17.225 ARRA - Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
**State Agency:**        Department of Labor and Industrial Relations (DLIR)

Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely and some reports submitted were not accurate.

**Recommendation:**

The DLIR improve procedures to ensure applicable reports are filed with the Department of Labor within the required timeframe. The DLIR should ensure adequate oversight of the reporting process to ensure reports are accurate and utilize the tracking reports to monitor the timeliness of reports.

**Status of Finding:**

The corrective actions were taken. The DLIR implemented procedures to ensure that applicable reports are filed within the required time frame. The DLIR also implemented oversight of the reporting process to ensure reports are accurate and filed timely. These new procedures include: Grant Accounting Process and Procedures, 9130 Reporting Procedures, and 2112 and Other Reports - Reporting Procedures. The Department of Labor's (DOL) Final Determination regarding finding 2010-10 was issued September 6, 2011. In this determination, the DOL found this finding is corrected.

**Contact Person:** Rebecca A. Voss  
**Phone Number:** (573) 751-1135

**2010-11.**                      Schedule of Expenditures of Federal Awards

**Federal Agency:**      Department of Labor  
**Federal Program:**    17.225 Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
                                    17.225 ARRA - Unemployment Insurance  
                                    2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29  
**State Agency:**        Department of Labor and Industrial Relations (DLIR)

DLIR controls and procedures were not sufficient to prevent or detect errors in accounting records and financial reports and to ensure the timely preparation of an accurate schedule of expenditures of federal awards (SEFA). Also, because the financial accounting records and reports were not finalized in a timely manner, the DLIR was delayed in providing to the Office of Administration financial statements and related adjusting entries necessary for presentation in the state of Missouri Comprehensive Annual Financial Report. Additionally, periodic reports filed to comply with other federal Unemployment Insurance program reporting requirements were originally based on inaccurate data, requiring the reports to be re-submitted to the Department of Labor (DOL).

**Recommendation:**

The DLIR implement procedures to prepare a complete and accurate SEFA in a timely manner. In addition, the DLIR should ensure financial accounting records and reports are

prepared properly and adequately reviewed to detect and correct errors in a timely manner.

**Status of Finding:**

The corrective actions were taken. The DLIR created Accounting Specialist positions and reassigned the trust fund and grant accounting responsibilities to the new positions; thereby, improving the skill sets of the staff responsible for the accounting records and reports. Financial Management employees are also completing the grants management training and certification process, have completed training in administrative requirements (OMB Circular A-102), and cost principles (OMB Circular A-87). Monthly completion deadlines have been reaffirmed for the trust fund. Regarding the preparation of the SEFA, the DLIR will pursue clarification from the DOL in a more timely fashion when there are accounting and reporting questions and will document all attempts to obtain information. The SEFA information will be compiled within two weeks of finalizing the June grant and trust fund financial reports. Supervisory reviews are required and must be documented.

The DOL's Final Determination regarding finding 2010-11 was issued September 6, 2011. The DOL examined the outlined procedures and determined this finding is corrected.

**Contact Person:** Rebecca A. Voss

**Phone Number:** (573) 751-1135

**2010-12.**                      Comprehensive Home and Community-Based Services Waiver

**Federal Agency:** Department of Health and Human Services

**Federal Program:** 93.778 Medical Assistance Program

2009 - 0905MO5028 and 0905MO05048

2010 - 1005MO5ADM and 1005MO5MAP

93.778 ARRA - Medical Assistance Program

2009 - 0905MOARRA and 2010 - 1005MOARRA

**State Agency:** Department of Social Services - Missouri HealthNet Division (DSS-MHD), and the Department of Mental Health - Division of Developmental Disabilities (DMH-DD)

During the fall of 2009, the DMH-DD converted services provided to MO HealthNet-eligible clients at two state-operated facilities from the Intermediate Care Facilities for the Mentally Retarded program to a Medicaid Waiver program without ensuring the related services constituted allowable home and community-based services. The federal grantor agency, Department of Health and Human Services (DHHS) Centers for Medicare and Medicaid Services (CMS), subsequently disapproved a waiver amendment request related to this action.

**Recommendation:**

The DMH-DD work with the DSS-MHD and the DHHS-CMS to resolve this matter. In addition, the DMH-DD should ensure the services related to any future planned expansion of this program constitute home and community-based services.

**Status of Finding:**

The DMH stopped billing waiver services at the two facilities in August 2010. The DMH will not proceed with billing of new waiver services until receipt of official approval from the CMS. The CMS conducted a targeted review of state habilitation centers the week of March 21, 2011, that included public testimony, tours of the facilities, interviews with facility staff, interviews with individuals/guardians, and directly observing client living conditions. The DMH continues to work with CMS staff on this issue.

**Contact Person:** Janet Gordon

**Phone Number:** (573) 751-8067

**2010-13A.**                      **Section 1512 Reporting**

**Federal Agency:**      Department of Energy  
                                 Environmental Protection Agency

**Federal Program:**    66.458 ARRA - Capitalization Grants for Clean Water State  
                                 Revolving Funds  
                                 2009 - 2W977080-01  
                                 66.468 ARRA - Capitalization Grants for Drinking Water State  
                                 Revolving Funds  
                                 2009 - 2F977082-01  
                                 81.042 ARRA - Weatherization Assistance for Low-Income  
                                 Persons  
                                 2009 - DE-EE0000151

**State Agency:**        Department of Natural Resources (DNR)

The DNR needed to strengthen controls and procedures in place to provide assurance Section 1512 report information submitted by subrecipients of the Weatherization Assistance for Low-Income Persons (WAP) program was complete and accurate. For some elements submitted by subrecipients, DNR personnel reviewed information submitted for reasonableness and compared expenditure data to SAM II; however, the DNR relied on the accuracy and completeness of much of the other information submitted by subrecipients, such as jobs created and retained and vendor payments, for each quarterly report. Additionally, field visits did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting purposes.

**Recommendation:**

The DNR strengthen procedures for the WAP program to ensure the accuracy and completeness of data submitted by the subrecipients for Section 1512 reporting purposes.

**Status of Finding:**

We disagree with the auditor's finding. We assert our controls and procedures ensure Section 1512 report information submitted by subrecipients is complete and accurate. There were no instances noted of information being less than complete or accurate.

**Contact Person:** Joe Gassner

**Phone Number:** (573) 751-7657

**2010-13B.**            Section 1512 Reporting

**Federal Agency:**    Department of Energy  
                                 Environmental Protection Agency

**Federal Program:**    66.458 ARRA - Capitalization Grants for Clean Water State  
                                            Revolving Funds  
                                            2009 - 2W977080-01  
                                 66.468 ARRA - Capitalization Grants for Drinking Water State  
                                            Revolving Funds  
                                            2009 - 2F977082-01  
                                 81.042 ARRA - Weatherization Assistance for Low-Income  
                                            Persons  
                                            2009 - DE-EE0000151

**State Agency:**        Department of Natural Resources (DNR)

The DNR did not have a formal written plan in place for the Section 1512 reporting process for the Weatherization Assistance for Low-Income Persons, Clean Water State Revolving Fund, or Drinking Water State Revolving Fund programs.

**Recommendation:**

The DNR establish a formal written plan for all programs that require Section 1512 reporting.

**Status of Finding:**

We disagree with the auditor's finding. We assert the procedures in place do constitute a written plan. While procedures, processes, and staff assignments may not be in the format desired, we assert it is still a written plan. In addition, the 1512 federal requirements do not stipulate that state agencies must have procedures in a written plan. It should also be noted that there were no instances noted of information being less than complete or accurate using the plan in place. In addition, a letter from the Environmental Protection Agency (EPA) dated October 25, 2011, concurs with the DNR. The EPA believes procedures are adequate and no inaccuracies or errors were identified.

**Contact Person:** John Madras

**Phone Number:** (573) 522-9912

**2010-14A.**                    Capital Assets

**Federal Agency:**     Department of Defense  
**Federal Program:**    12.401 National Guard Military Operations and Maintenance Projects  
   2009 - DAHA23-09-2-1000 and 2010 - DAHA23-10-2-1000  
**State Agency:**        Department of Public Safety - Adjutant General (AG)

Some assets purchased during state fiscal year 2010 had not been properly accounted for in the AG internal capital asset tracking system or the SAM II, Fixed Asset subsystem, and some assets had not received a property tag and asset number. Also, the AG had only performed physical inventories during fiscal year 2010 for 2 of 56 different property books used to track assets purchased.

**Recommendation:**

The AG ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II capital asset tracking systems. In addition, the AG should ensure annual physical inventories are performed, and continue to investigate the backlog of untagged capital assets.

**Status of Finding:**

Fiscal year 2010 has been reconciled and \$175,755 of fixed assets purchased are in the process of being tagged and entered into the SAM II system. Inventories are being conducted as scheduled. Of the AG property books, 10 percent have been inventoried and an additional 7 percent are scheduled through January 2012.

**Contact Person:** Jill Delgado  
**Phone Number:** (573) 638-9574

**2010-14B.**                    Capital Assets

**Federal Agency:**     Department of Defense  
**Federal Program:**    12.401 National Guard Military Operations and Maintenance Projects  
   2009 - DAHA23-09-2-1000 and 2010 - DAHA23-10-2-1000  
**State Agency:**        Department of Public Safety - Adjutant General (AG)

AG personnel had not completed a reconciliation between expenditure records and capital asset records in the SAM II or internal capital asset tracking systems.

**Recommendation:**

The AG ensure capital asset reconciliations between expenditure records and capital asset records in both the SAM II and internal capital asset tracking systems are completed.

Reconciliations between expenditure records and capital asset records and the internal capital asset tracking system are being conducted monthly at a minimum. State Resource staff is continually working to resolve and close all fixed assets issues.

**Contact Person:** Jill Delgado  
**Phone Number:** (573) 638-9574

**2010-14C.**                      Capital Assets

**Federal Agency:** Department of Defense  
**Federal Program:** 12.401 National Guard Military Operations and Maintenance Projects  
2009 - DAHA23-09-2-1000 and 2010 - DAHA23-10-2-1000  
**State Agency:** Department of Public Safety - Adjutant General (AG)

Equipment expenditures were not always properly classified to specific capital asset object codes in the SAM II accounting system. As a result, some equipment was not identified in the system for proper tracking and was subsequently omitted from all capital asset records.

**Recommendation:**

The AG ensure capital asset expenditures are charged to appropriate object codes.

**Status of Finding:**

Accounting procedures for fixed assets were revised last year, and since that time there has been significant improvement in proper classification and coding of these assets. The responsibility for proper accountability has been assigned to several State Resource staff members rather than just one person, which allows errors to be identified prior to payment being made.

**Contact Person:** Jill Delgado  
**Phone Number:** (573) 638-9574

## 2010-15. Cost Allocation Procedures

<b>Federal Agency:</b>	Department of Health and Human Services
<b>Federal Program:</b>	93.558 Temporary Assistance for Needy Families 2009 - G0901MOTANF and 2010 - G1002MOTANF
	93.658 Foster Care - Title IV-E 2009 - G0901MO1401 and 2010 - G1001MO1401
	93.658 ARRA - Foster Care - Title IV-E 2009 - G0901MO1402 and 2010 - G1001MO1402
	93.659 Adoption Assistance 2009 - G0901MO1407 and 2010 - G1001MO1407

93.674 Chafee Foster Care Independence Program  
2009 - G0901MO1420 and 2010 - G1001MO1420  
93.778 Medical Assistance Program  
2009 - 0905MO5048 and 2010 - 1005MO5ADM  
**State Agency:** Department of Social Services (DSS) - Division of Finance and  
Administrative Services (DFAS)  
**Questioned Costs:** \$2,168,919

DFAS controls and procedures over the quarterly allocation of costs to federal programs were not sufficient and as a result, numerous cost allocation errors were not prevented and/or detected. Our review of selected sections of state fiscal year 2010 Children's Division and Family Support Division cost allocation spreadsheets and supporting documentation identified overstatements totaling approximately \$3.3 million for 5 federal programs and understatements totaling approximately \$3.2 million for 11 federal programs due to spreadsheet formula and data entry errors. We questioned the federal share of costs related to the overstatements, or \$2,168,919.

**Recommendation:**

The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and strengthen controls and procedures to ensure the accurate allocation of costs to federal programs. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

**Status of Finding:**

The DSS has been working with the Department of Health and Human Services (DHHS) to amend the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

**Status of Questioned Costs:**

Questioned costs were settled on the quarter ended March 2011 and the quarter ended June 2011 federal reports.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2010-16A.** Child Care Eligibility and Payments

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.575 Child Care and Development Block Grant  
2009 - G0901MOCCDF and 2010 - G1001MOCCDF



93.596 Child Care Mandatory and Matching Funds of the Child Care  
and Development Fund  
2009 - G0901MOCCDF and 2010 - G1001MOCCDF  
93.713 ARRA - Child Care and Development Block Grant  
2009 - 20091MOCCD7  
**State Agency:** Department of Social Services (DSS) - Children's Division (CD) and  
Family Support Division (FSD)  
**Questioned Costs:** \$73,315

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers.

- Eligibility documentation such as a signed child care application or system-generated interview summary and/or income record(s) for 13 of 60 (22 percent) cases reviewed could not be located by the DSS. For six of these cases, the DSS could not locate the eligibility file. We questioned the federal share of payments made on behalf of these children and siblings of these children, or \$70,092 (84 percent).
- For child care payments, 30 of 60 (50 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 30 payments, 11 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 19 cases totaled an additional \$3,837. We questioned the federal share, or \$3,223 (84 percent).

**Recommendation:**

The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

**Status of Finding:**

Corrective actions that have been taken since the finding was issued follow:

*Case Adjustments* - Funds have been returned to the federal government or claims have been entered on either a parent or provider. This activity was complete as of July 31, 2011.

*Case Review Tool* - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System to which a child care component will be added. A webinar providing detail on the child care component of the system was completed with the Rushmore group (provider of current Case Review System) on August 11, 2011. On

September 2, 2011, the Rushmore Group began coding child care into the existing Case Review System. The CD is reviewing the new functionality at this time.

*Self Employment Training* - Effective August 1, 2011, the FSD Eligibility Specialists (ES) and eligibility supervisors will be required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and eligibility supervisors are required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

*FSD Workers Online Child Care Training* - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors can access online child care training through the FSD Training Unit intranet page. New FSD employees will be required to complete the online training and complete the training with a 70 percent accuracy rate or above prior to enrolling in the in-person Basic Child Care Orientation training. New staff will have to access the training through the DSS Employee Learning Center to complete the training with the online assessment component. To view the training go to [http://dssweb/fsd/training/IM/im\\_online/course\\_catalogs/child-care.html](http://dssweb/fsd/training/IM/im_online/course_catalogs/child-care.html).

*Casework Reference Guide* - Recently, the FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. To view the CRG for child care go <http://dssweb/fsd/training/IM/crg/childcare/index.html>.

*Child Care Manual Revisions* - The CD continues to review and revise its child care manual. There are several manual revisions that are forthcoming that will support the program integrity and accountability. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy.

**Status of Questioned Costs:**

The questioned costs were adjusted on the federal report for quarter ended June 30, 2011.

**Contact Person:** Alicia Jenkins  
**Phone Number:** (573) 526-3899

**2010-16B.**                      Child Care Eligibility and Payments

**Federal Agency:**      Department of Health and Human Services  
**Federal Program:**      93.575 Child Care and Development Block Grant  
   2009 - G0901MOCCDF and 2010 - G1001MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care  
and Development Fund  
2009 - G0901MOCCDF and 2010 - G1001MOCCDF  
93.713 ARRA - Child Care and Development Block Grant  
2009 - 20091MOCCD7  
**State Agency:** Department of Social Services (DSS) - Children's Division (CD) and  
Family Support Division (FSD)  
**Questioned Costs:** \$2,732

Controls over eligibility for the newly established non-Temporary Assistance for Needy Families (TANF) client ARRA Child Care initiative were not sufficient to prevent and/or detect payments made on behalf of ineligible clients. As a result, 10 percent of payments during the first month of operation were for ineligible clients. We noted 8 of 82 (10 percent) clients reviewed received TANF benefits, although the initiative provided that clients receiving TANF benefits were not eligible. We questioned the federal share of the payments made on behalf of these clients, or \$2,732 (100 percent).

**Recommendation:**

The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and improve controls to ensure payments under the non-TANF client ARRA Child Care initiative are made for eligible clients in accordance with the Child Care State Plan. In addition, the DSS should review fiscal year 2011 payments under this initiative, and recoup any additional payments improperly made from ARRA funds.

**Status of Finding:**

Actions taken since the finding was disclosed, as part of the CD's Child Care section's proposed corrective action response, follows:

On April 29, 2011, memorandum CD11-41/OEC11-110 was sent to field staff to reinforce the use of the non-TANF job search. Along with the memo, a listing of TANF recipients who potentially received the non-TANF job search child care benefit anytime between May 2010 and March 2011 was issued to FSD eligibility staff. During the subsequent months in which the program was in effect, the CD issued to field staff a non-TANF job search list for review and potential cleanup. The non-TANF job search ended in August 2011. Child Care Program and Policy staff continues to work with FSD staff to review fiscal year 2011 cases for possible clean up.

**Status of Questioned Costs:**

Questioned costs were adjusted on the June 30, 2011 quarterly report.

**Contact Person:** Alicia Jenkins  
**Phone Number:** (573) 526-3899

**2010-17.** Performance Based Case Management Contracts

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.558 Temporary Assistance for Needy Families  
2009 - G0901MOTANF and 2010 - G1002MOTANF  
93.658 Foster Care - Title IV-E  
2009 - G0901MO1401 and 2010 - G1001MO1401  
93.659 Adoption Assistance  
2009 - G0901MO1407 and 2010 - G1001MO1407  
93.778 Medical Assistance Program  
2009 - 0905MO5048 and 2010 - 1005MO5ADM  
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)

The DSS had not established procedures to ensure all payments to performance based case management contractors were properly allocated to federal programs. As a result, some contractor payments were allocated to federal programs based on unrealistic budgeted expenditure categories rather than actual expenditures.

**Recommendation:**

The DSS, through the CD, establish procedures to ensure all payments to performance based case management contractors are allocated to federal programs in accordance with federal regulations.

**Status of Finding:**

As stated in the Corrective Action Plan, the DSS believes that its current process for claiming performance based case management contractor payments is in accordance with federal regulations. The DSS did commit to have a third party evaluate its cost reports and to make recommendations on improvements that could be made to its claiming methodology. The DSS is in the process of awarding a work order for a third party to evaluate its cost report methodology and to make recommendation on any improvements to its claiming methodology. The deadline to complete activities under the work order is December 31, 2011.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2010-18A.** Foster Care Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.658 Foster Care - Title IV-E  
2009 - G0901MO1401 and 2010 - G1001MO1401  
93.658 ARRA - Foster Care - Title IV-E  
2009 - G0901MO1402 and 2010 - G1001MO1402  
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)  
**Questioned Costs:** \$2,282

Controls over eligibility were not sufficient; and as a result, payments were made on behalf of ineligible children. For 2 of 60 (3 percent) cases reviewed, payments were made on behalf of children ineligible for Foster Care benefits due to inaccurate eligibility determinations made by the DSS Family and Children Electronic System (FACES). For these cases, DSS eligibility specialists entered various eligibility data in the FACES and determined the children were ineligible for benefits; however, based on this data, the FACES incorrectly concluded the children were eligible for Foster Care benefits and overrode the previous determination of the eligibility specialist. Fiscal year 2010 payments totaled \$3,242 for these two ineligible children. We questioned the federal share, or \$2,282 (70.38 percent).

**Recommendation:**

The DSS through the CD, resolve the questioned costs with the grantor agency and continue working to identify and correct FACES programming issues and strengthen controls over eligibility determinations to ensure payments are made on behalf of eligible children.

**Status of Finding:**

As noted in its original Corrective Action Plan, as CD eligibility staff continue to identify FACES system issues, they are reported to the FACES helpdesk. In addition, the Eligibility Daily Batch has been stopped. This change has reduced the number of incorrect determinations being made by the automated system.

The Department of Health and Human Services, Administration for Children and Families (ACF) staff responsible for oversight of the Statewide Automated Child Welfare Information System (SACWIS) was onsite during the week of March 29, 2011 to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from the ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation; those recommendations have been taken under advisement as the DSS enhances the SACWIS over the next year to ensure the system complies with federal requirements.

**Status of Questioned Costs:**

Questioned costs were settled on the quarter ended June 2011 federal reports.

**Contact Person:** Sheila A. Tannehill  
**Phone Number:** (573) 751-8962

**2010-18B.**                      Foster Care Eligibility and Assistance Payments

**Federal Agency:**        Department of Health and Human Services  
**Federal Program:**       93.658 Foster Care - Title IV-E  
   2009 - G0901MO1401 and 2010 - G1001MO1401

93.658 ARRA - Foster Care - Title IV-E

2009 - G0901MO1402 and 2010 - G1001MO1402

**State Agency:** Department of Social Services (DSS) - Children's Division (CD)

**Questioned Costs:** \$314

Controls over maintenance payments were not sufficient; and as a result, some payments made were not allowable. For 15 of 60 (25 percent) cases reviewed, 33 reimbursements to foster parents for certain types of transportation costs were incorrectly recorded as maintenance payments, and reimbursed at the higher federal financial participation percentage (70.38 percent) for maintenance instead of the administrative percentage (50 percent). For these cases, transportation payments totaling \$1,540 were incorrectly reimbursed at the higher maintenance percentage. We questioned \$314 (20.38 percent), the federal share of the difference between the amount paid at the maintenance percentage and the administrative percentage.

**Recommendation:**

The DSS through the CD, resolve the questioned costs with the grantor agency and implement controls to ensure transportation payments are reimbursed at the proper federal financial participation percentage.

**Status of Finding:**

This A-133 finding and recommendation were related to how certain transportation payment codes were picked up from the Statewide Automated Child Welfare Information System (SACWIS) and claimed as allowable costs for federal reimbursement. The DSS has made changes to the SACWIS system to ensure only allowable transportation expenditures are claimed for federal reimbursement.

**Status of Questioned Costs:**

Questioned costs were settled on quarter ended June 2011 federal reports.

**Contact Person:** Sheila A. Tannehill

**Phone Number:** (573) 751-8962

**2010-18C.** Foster Care Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services

**Federal Program:** 93.658 Foster Care - Title IV-E

2009 - G0901MO1401 and 2010 - G1001MO1401

93.658 ARRA - Foster Care - Title IV-E

2009 - G0901MO1402 and 2010 - G1001MO1402

**State Agency:** Department of Social Services (DSS) - Children's Division (CD)

**Questioned Costs:** \$5,596

Controls over maintenance payments were not sufficient; and as a result, some payments were not allowable or not supported by adequate documentation. For 17 of 60 (28

percent) cases reviewed, Foster Care maintenance payments were not allowable and/or not supported by adequate documentation. For these 17 cases, payments totaling \$7,951 were unallowable and/or unsupported by adequate documentation. We questioned the federal share, or \$5,596 (70.38 percent).

**Recommendation:**

The DSS through the CD, resolve the questioned costs with the grantor agency, and ensure all Foster Care payments are allowable and supported by adequate documentation.

**Status of Finding:**

Effective August 1, 2010, the CD implemented a new payment system as the final component of its Statewide Automated Child Welfare Information System (SACWIS), along with new business practices and controls for processing Foster Care eligibility and assistance payments. Under the new payment system, an internal control structure was implemented requiring Central Office Payment Unit approval, in addition to local county office approval, for all clothing, transportation and many other foster care payments. Filing of the final payment documentation is now maintained by the Central Office Payment Unit. Also, effective August 1, 2010, the CD implemented a new system and business practices for child care assistance payments for protective services clients. Under the new system, additional edits are in place to ensure child care payments are made on behalf of eligible children.

Department of Health and Human Services, Administration for Children and Families (ACF) staff responsible for oversight of the SACWIS was onsite during the week of March 29, 2011, to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from the ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation; those recommendations have been taken under advisement as the DSS enhances SACWIS over the next year to ensure the system complies with federal requirements.

The CD issued a practice point to staff reminding them of the policies around payment documentation, retention and filing (dated May 11, 2011). The Division of Finance and Administrative Services is strengthening department quality assurance and compliance functions to provide better monitoring of and technical assistance to staff with fiscal responsibilities.

**Status of Questioned Costs:**

Questioned costs have not yet been resolved with the grantor agency. Questioned costs have been partially corrected utilizing recoupments and adjustments to federal reports.

**Contact Person:** Sheila A. Tannehill  
**Phone Number:** (573) 751-8962

**2010-19.**                      Residential Facility Training Reimbursements

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.658 Foster Care - Title IV-E  
   2009 - G0901MO1401 and 2010 - G1001MO1401  
**State Agency:**       Department of Social Services (DSS) - Children's Division (CD)  
**Questioned Costs:**    \$19,467

The CD had not established sufficient procedures to review residential facility training reimbursements. As a result, reimbursements to these facilities were not always supported by sufficient documentation that training costs were allowable, and some reimbursed training costs appeared unallowable. Of the \$30,656 in training reimbursements reviewed, payments totaling \$25,957 (85 percent) were unsupported and/or unallowable, of which we questioned \$19,467 claimed as the federal share.

**Recommendation:**

The DSS through the CD, strengthen residential facility training reimbursement review procedures to ensure training activities reimbursed are for allowable activities outlined in federal regulations and are adequately supported. In addition, the DSS should resolve the questioned costs with the grantor agency.

**Status of Finding:**

On May 3, 2011, the CD issued to residential treatment providers reimbursed for training costs a letter outlining enhanced procedures that will ensure there is adequate documentation to support claiming those costs for Title IV-E training reimbursement. Residential treatment providers are now required to code the training course to one of a list of Title IV-E allowable topics and to provide a rationale/justification for Title IV-E reimbursement of the course costs. Additionally, the Division of Finance and Administrative Services is strengthening department quality assurance and compliance functions to provide better monitoring of and technical assistance to staff with fiscal responsibilities. One assignment of this new unit will be to actively monitor programs and practices with identified weaknesses in statewide single audits and other audit monitoring reports.

**Status of Questioned Costs:**

The questioned costs were based on a course name and not a course description. The CD is working with the residential treatment providers to review additional information on courses included in the questioned costs. The DSS has notified the federal agency for course costs that do not meet the definition of Title IV-E allowable training. Questioned costs have not yet been resolved with the grantor agency.

**Contact Person:** Sheila A. Tannehill  
**Phone Number:** (573) 751-8962



**2010-20.**                      Vocational Rehabilitation Program

**Federal Agency:**      Department of Education  
**Federal Program:**    84.126 Rehabilitation Services - Vocational Rehabilitation Grants  
   to States  
   2009 - H126A090037 and 2010 - H126A100037  
**State Agency:**        Department of Social Services (DSS) - Family Support Division (FSD) -  
   Rehabilitation Services for the Blind (RSB) and Division of Finance and  
   Administrative Services (DFAS)  
**Questioned Costs:**    \$46,035

The FSD improperly charged the Vocational Rehabilitation (VR) program for personnel costs totaling \$58,494, of which we questioned the federal share of \$46,035 (78.7 percent). Additional improvement in the policies and procedures for the allocation of personnel costs were needed.

- For the period January 1, 2010 to June 30, 2010, personnel costs for 13 employees were allocated using an incorrect allocation formula and the VR grant was incorrectly charged \$12,944 for work related to other programs. We questioned the federal share, or \$10,187 (78.7 percent).
- For the period April 1, 2010 to June 30, 2010, personnel activity reports were prepared for four employees who worked on multiple programs; however, costs were not allocated according to the activity reports. We questioned the federal share, or \$35,848 (78.7 percent) for these personnel costs improperly charged to the VR program for this period.

**Recommendation:**

The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency. In addition, the FSD and RSB should develop comprehensive written policies and procedures to ensure personnel costs for employees who work on multiple federal awards or cost objectives are allocated in accordance with federal laws and OMB Circular A-87.

**Status of Finding:**

The agency disagrees, as noted in our initial response, with the SAO finding that established written policies and procedures for the allocation of personnel costs lack detail. The FSD/RSB contends the established written policies and procedures for allocation of personnel costs do have sufficient detail to ensure personnel costs are properly allocated to the benefiting grant in accordance with federal laws and OMB Circular A-87. The FSD/RSB and the DFAS are working more closely together to ensure policies and procedures are understood, staff is following them and adequate quality controls are in place.

**Status of Questioned Costs:**

Questioned costs were resolved on the March 31, 2011, quarterly report.

**Contact Person:** Mark Laird  
**Phone Number:** (573) 751-4249

**2010-21A.** Unallowable Costs and Maintenance of Effort

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.558 Temporary Assistance for Needy Families  
2009 - G0901MOTANF and 2010 - G1002MOTANF  
**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD)  
**Questioned Costs:** \$29,638,870

The DSS charged unallowable state foster care, adoption assistance, and subsidized guardianship costs to the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and subsidized guardianship costs charged included non-emergency assistance, and the costs charged for emergency assistance were not separately identified; therefore all costs were unallowable. We questioned all state fiscal year 2010 costs for foster care, adoption assistance, and subsidized guardianship charged to the TANF program, totaling \$29,638,870 (100 percent federal share).

**Recommendation:**

The DSS ensure prior approved program costs charged to the TANF program comply with federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

**Status of Finding:**

The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This tool will help the DSS ensure it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

**Status of Questioned Costs:**

The DSS will work with the granting agency to address any questioned costs that are sustained.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-7533

**2010-21B.** Unallowable Costs and Maintenance of Effort

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.558 Temporary Assistance for Needy Families  
2009 - G0901MOTANF and 2010 - G1002MOTANF  
**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD)

The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program and, as a result, DSS failed to meet the MOE funding requirements by at least \$30.9 million.

**Recommendation:**

The DSS ensure expenditures claimed as MOE are allowable and resolve the potential penalty with the grantor agency.

**Status of Finding:**

The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This tool will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-7533

**2010-21C.**                      Unallowable Costs and Maintenance of Effort

**Federal Agency:**      Department of Health and Human Services  
**Federal Program:**    93.558 Temporary Assistance for Needy Families  
   2009 - G0901MOTANF and 2010 - G1002MOTANF  
**State Agency:**        Department of Social Services (DSS) - Family Support Division (FSD)

For the quarter ended September 30, 2010, the DSS charged costs to the Temporary Assistance for Needy Families (TANF) program, totaling \$18,493,665, relating to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships; however, the DSS had not determined and documented whether there was any correlation between these programs and the four purposes of the TANF program. As a result, these scholarship program costs charged to the TANF program in state fiscal year 2011 did not appear allowable.

**Recommendation:**

The DSS ensure program costs charged to the TANF program for state fiscal year 2011 comply with federal regulations.

**Status of Finding:**

The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This tool will help the DSS ensure it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-7533

**2010-21D.** Unallowable Costs and Maintenance of Effort

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.558 Temporary Assistance for Needy Families  
2009 - G0901MOTANF and 2010 - G1002MOTANF  
**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD)

The DSS control system was not effective in ensuring the types of costs charged to the TANF program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

**Recommendation:**

The DSS establish a formal control system to ensure the types of costs charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

**Status of Finding:**

The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This tool will help the DSS ensure it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-7533

**2010-22.** Work Verification Activities

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.558 Temporary Assistance for Needy Families  
2009 - G0901MOTANF and 2010 - G1002MOTANF  
**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD)

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2010 and, as a result, the FSD had less assurance the data used to calculate the work participation rate was accurate.

**Recommendation:**

The FSD strengthen controls to ensure work participation activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

**Status of Finding:**

We partially agreed with this finding. As noted in the original Corrective Action Plan, effective October 1, 2010, the FSD resumed administration of the TANF work activities and contracted directly with Missouri Work Assistance (MWA) program service providers to implement the required TANF work activities functions. Additionally, the FSD created nine MWA Coordinator positions to monitor and provide technical assistance to the MWA service providers. Over the course of the year, the FSD has taken additional actions as follows:

1. The MWA Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA System.
2. A Case Review form was developed for use by all MWA Coordinators to provide consistency when reviewing data entries and physical files of MWA participants each contractor is serving. This tool is used by all MWA Coordinators effective July 1, 2011.
3. A Case Review Guide was written and shared with MWA staff August 2011 to ensure the MWA Coordinators understand where policies regarding the form are located in the policy manual and request for proposal to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files if they choose to do so.
4. Effective August 1, 2011, MWA Coordinators report to the FSD Program Manager responsible for the MWA program (before that time Coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA Program and Coordinator accountability for assigned work by the MWA FSD Program Manager. With this change, four teams have been designated to further develop the MWA program. These teams are:
  - MWA System and Data - user guides, system enhancements, reports;
  - MWA Policy and Training - policy manual updates, training materials;
  - MWA Contracts and Monitoring - monitoring tools, compliance; and
  - Special Projects and Research - MWA webpage, research to improve the work participation rates.

Tools developed by these teams will provide contractors with information to ensure participation activities meet work verification standards and are supported with adequate documentation. Resources developed will also serve to increase the work participation rate for the state and provide performance measures to the contractors.

**Contact Person:** Jennifer Roberts

**Phone Number:** (573) 526-5444

**2010-23.**                      Salary Certifications

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.563 Child Support Enforcement  
   2009 - G0904MO4004 and 2010 - G1004MO4004  
**State Agency:**        Department of Social Services (DSS) - Family Support Division (FSD) -  
   Child Enforcement (CSE) and Division of Finance and Administrative  
   Services (DFAS)  
**Questioned Costs:**    \$83,289

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. Salary certifications were not prepared for 15 of about 870 FSD employees whose personnel costs were charged 100 percent to the CSE program for the period of July 2009 to September 2009. Personnel costs charged to the CSE grant for these 15 employees totaled \$126,196, of which we questioned the federal share of costs totaling \$83,289 (66 percent).

**Recommendation:**

The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency.

**Status of Finding:**

Although the DSS disagreed with the finding, after a similar finding in 2009, the DSS through the FSD reviewed the salary certification process and enhanced written policies and procedures, in accordance with OMB Circular A-87, to ensure salary certifications were completed for all employees who are 100 percent claimed to a specific grant. These enhancements were effective April 2010. Under Missouri's current procedures, twice a year the supervisor/administrator receives and verifies a comprehensive electronic listing of all employees working solely on a grant so that salary certifications are complete. The Department of Health and Human Services, Administration for Children and Families decision issued March 7, 2011, on the 2009 finding, concurred with the finding and recommendation, did not sustain the questioned costs and noted that Missouri's corrective actions sufficiently addressed the finding and prevent its recurrence. The 2010 finding has not been resolved with the grantor agency.

**Status of Questioned Costs:**

Questioned costs have not been resolved with the grantor agency.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2010-24A.**                    Section 1512 Reporting

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.710 ARRA - Community Services Block Grant  
   2009 - 0901MOCOS2  
**State Agency:**        Department of Social Services (DSS) - Family Support Division (FSD)  
   and the Division of Finance and Administrative Services (DFAS)

The DSS did not have adequate controls and procedures in place to ensure program information was accurately entered into the overall Section 1512 report or to provide assurance Section 1512 report information submitted by subrecipients of the Community Services Block Grant (CSBG) program was complete and accurate. FSD personnel reviewed information submitted for reasonableness and compared expenditure data to SAM II; however, the FSD relied on the accuracy and completeness of much of the other information submitted by the subrecipients, such as jobs created or retained and vendor payments, for each quarterly report. The FSD conducted a site-visit for each subrecipient once every 3 years; however, state fiscal year 2010 reviews did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting.

**Recommendation:**

The DSS through the FSD and DFAS establish procedures over the CSBG program to ensure the accuracy and completeness of Section 1512 reports and ensure timely reviews of data submitted by the subrecipients for Section 1512 reporting.

**Status of Finding:**

The finding was made during a time when the DFAS was rekeying all data from Excel spreadsheets to Missouri's Section 1512 reporting system that uploaded to the Federal Section 1512 reporting system. Since that time, the DFAS has developed an electronic system that eliminates some manual data entry processes. The implementation of the electronic system is a tool to aid in accurate data reporting. The CSBG Monitoring Tool has been amended and now includes requirements to review Section 1512 data.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2010-24B.**                    Section 1512 Reporting

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.710 ARRA - Community Services Block Grant  
   2009 - 0901MOCOS2  
**State Agency:**        Department of Social Services (DSS) - Family Support Division (FSD)  
   and the Division of Finance and Administrative Services (DFAS)

The DSS did not have a formal written plan in place to address the agency's Section 1512 reporting process for the Community Services Block Grant program.

**Recommendation:**

The DSS through the FSD and DFAS establish a formal written plan for Section 1512 reporting.

**Status of Finding:**

The finding was made during a time when the DFAS was rekeying all data from Excel spreadsheets to Missouri's Section 1512 reporting system that uploaded to the Federal Section 1512 reporting system. Since that time, the DFAS has developed an electronic system that eliminates some manual data entry processes. The implementation of the electronic system is a tool to aid in accurate data reporting. Formal written procedures for Section 1512 reporting have been implemented.

**Contact Person:** Patrick Luebbering  
**Phone Number:** (573) 751-2170

**2010-25.**                      Provider Eligibility and Improper Payments

**Federal Agency:**      Department of Health and Human Services  
                                 93.778 Medical Assistance Program  
                                 2009 - 0905MO5028 and 0905MO5048  
                                 2010 - 1005MO5MAP/XIX-MAP10 and  
                                 1005MO5ADM/XIX- ADM10  
                                 93.778 ARRA - Medical Assistance Program  
                                 2009 - 0905MOARRA and 2010 - 1005MOARRA  
**State Agency:**        Department of Social Services (DSS) - MO HealthNet Division (MHD)  
**Questioned Costs:**    \$122

The MHD had not established controls to detect expired Medicaid provider licenses or to prevent, detect, and correct payments to providers who were deceased prior to the date the reimbursement claim indicated medical services were provided. As a result, the MHD improperly paid \$164 during the year ended June 30, 2010, for three claims submitted for one Medicaid provider who was deceased prior to the reported date of service. We questioned the federal share of the three claims paid for which the reported dates of services were after the provider's date of death, or \$122 (74.43 percent). In addition, the MHD had not established controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or the Title XX service program.

**Recommendation:**

The MHD develop procedures to ensure providers meet required criteria to be eligible Medicaid providers, including periodically verifying provider licenses, obtaining updated provider disclosures, and ensuring timely detection of deceased providers, to aid in the



prevention and correction of improper claims paid. In addition, the MHD should resolve the questioned costs with the grantor agency.

**Status of Finding:**

Our Corrective Action Plan includes addressing the provider's date of death issue through the current Fraud Waste and Abuse contract with Thomson Reuters. The contractor has recently purchased a license for the Social Security Master Death File (SSMDF) and monthly updates. They can provide ongoing matching and monthly updates to the SSMDF through the DataProbe database. The data would be loaded and validated monthly.

Our Corrective Action Plan also includes addressing the controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or Title XX service programs. Currently the state of Missouri is working on a new provider enrollment system. However, manually, forms have been updated to require this information from all new initial applications. Additionally, 42 CFR Section 424.514 (effective March 25, 2011) requires prospective institutional providers submitting an initial application or currently enrolled institutional providers submitting an application establishing a new practice location to submit enrollment credentials, which includes disclosure information.

**Status of Questioned Costs:**

The Missouri Medicaid Audit and Compliance Unit plans to repay the \$122 through an adjustment to the December 2011 quarterly report.

**Contact Person:** Mark Cicka

**Phone Number:** (573) 751-6967



Thomas A. Schweich  
Missouri State Auditor

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## ADMINISTRATION

# Review of Article X, Sections 16 Through 24, Constitution of Missouri Year Ended June 30, 2011



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March 2012  
Report No. 2012-25

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the review of Article X, Sections 16 through 24, Constitution of Missouri

### Background

The Constitution of Missouri was amended in 1980 to add Article X, Sections 16 through 24, commonly referred to as the Hancock Amendment. This tax limitation amendment imposes restrictions on the amount of personal income used to fund state government and the amount by which fees and taxes can be increased. Mathematical formulas are used to determine the relevant threshold amounts each year.

The Hancock Amendment limits the amount of Missourian's personal income that may be used to fund state government to no greater than the portion used to do so in 1981. In other words, since 5.6 percent of Missourian's personal income went to fund state government in 1981, then no more than 5.6 percent can be used to do so in future years, unless revenues are specifically excluded by a vote of the people.

The Hancock Amendment also requires voter approval before taxes or fees can be increased by the General Assembly beyond a certain annual limit. Based upon the calculation provided by the Office of Administration, Division of Budget and Planning, the relevant annual revenue limit for fiscal year 2011 was \$87.2 million.

### Fiscal Year 2011 Findings

For the fiscal year ended June 30, 2011, our review determined no refunds were due. In fact, total state revenue was approximately \$4.0 billion under the refund threshold. In addition, the Office of Administration, Division of Budget and Planning determined that net taxes and fees decreased by \$98.1 million. As a result, our review concluded the state complied with these provisions of the Hancock Amendment.

The revenue limit has not been exceeded since the year ended June 30, 1999.

Because of the limited objective of this review, no overall rating is provided.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

Not applicable to this report.

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# Review of Article X, Sections 16 Through 24, Constitution of Missouri

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly  
and  
Douglas E. Nelson, Acting Commissioner  
Office of Administration  
Jefferson City, Missouri

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2011, and the application to those revenues of Article X, Sections 16 through 24, Missouri Constitution, more commonly referred to as the Hancock Amendment (included as an Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 2010. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenues.
3. Verify the accuracy of the revenue limit computation and compare that limit to total state revenues.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our methodology to accomplish these objectives included discussions with personnel of the Office of Administration, Division of Budget and Planning, inspecting relevant records and reports compiled by that office, and reviewing data and reports from the statewide accounting system.

The Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, Missouri Constitution.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with a large, stylized 'S' at the end.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Jeffrey Thelen, CPA

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# Review of Article X, Sections 16 Through 24, Constitution of Missouri

## Executive Summary

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### **Executive Summary**

The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The results of our review determined that for the year ended June 30, 2011, total state revenue (TSR) was approximately \$4.0 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2011.

The amendment also imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than \$50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less.

For the year ended June 30, 2011, the Office of Administration, Division of Budget and Planning has determined that as a result of legislative actions net taxes and fees decreased by a total of \$98.1 million. As a result, the state also complied with this provision of the amendment.

The revenue limit has not been exceeded since the year ended June 30, 1999. Over the last 5 years the amount of TSR under the refund threshold has increased from \$1.4 billion to \$4.0 billion.

A bar graph of TSR compared to the refund threshold follows:

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,  
CONSTITUTION OF MISSOURI  
CHART OF TOTAL STATE REVENUE VERSUS REFUND THRESHOLD

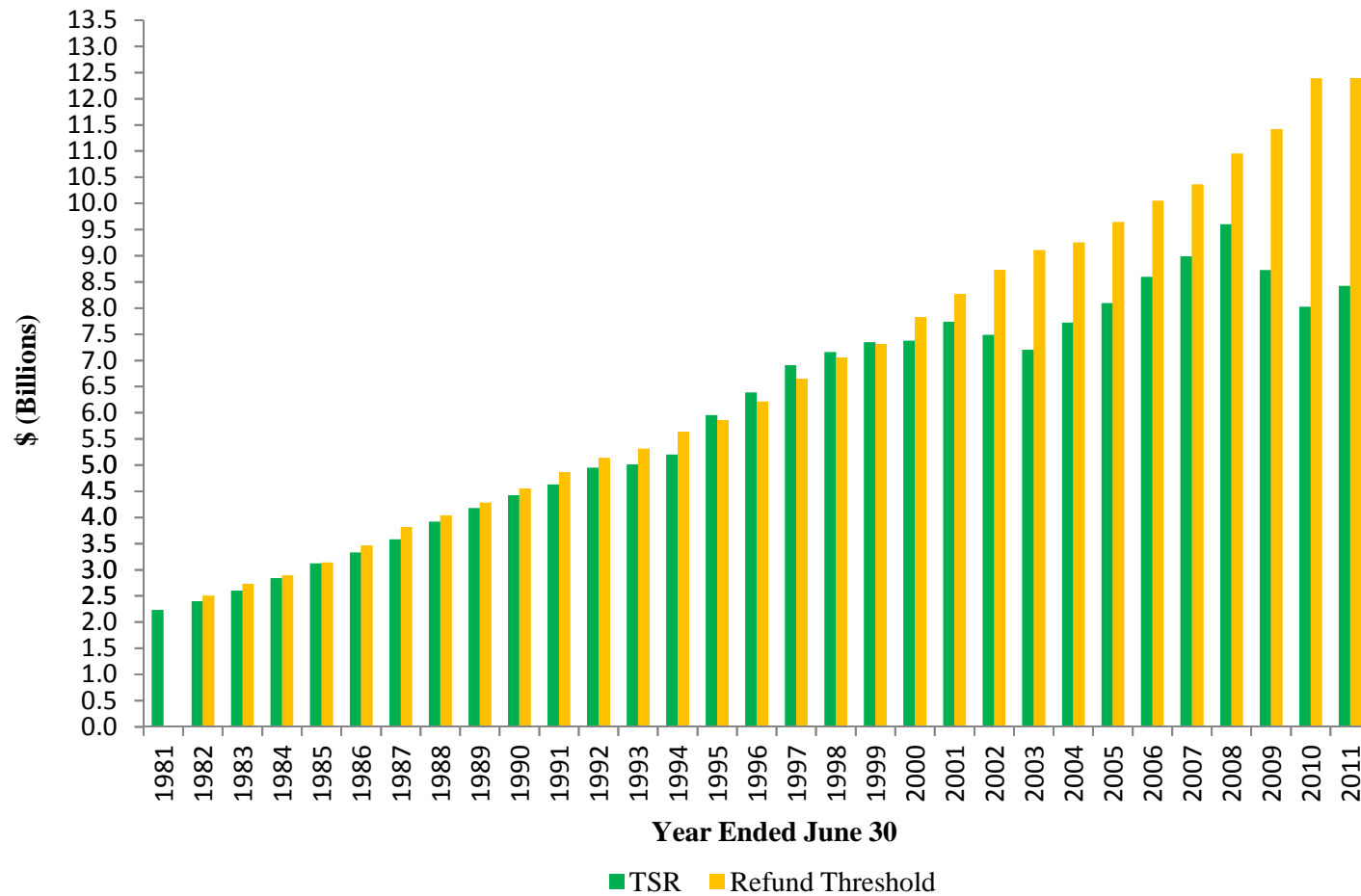




Exhibit A

Review of Article X, Sections 16 Through 24, Constitution of Missouri  
Summary of Total State Revenue and Refund Calculations  
(In Millions)

		Year Ended June 30,				
		2007	2008	2009	2010	2011
TOTAL STATE REVENUE (TSR)						
Total state receipts	\$	21,928.92	22,939.03	22,962.81	25,392.29	25,114.40
Less excluded revenue		(11,675.58)	(12,021.91)	(12,742.02)	(15,836.59)	(15,298.29)
Less expenditure refunds		(1,272.91)	(1,321.37)	(1,504.91)	(1,543.13)	(1,414.46)
Add refundable tax credits		5.08	2.75	5.66	9.95	22.77
TSR	\$	8,985.51	9,598.50	8,721.54	8,022.52	8,424.42

**REVENUE LIMIT AND REFUND THRESHOLD**

Missouri personal income	\$	181,066.00	191,413.00	199,655.00	216,547.00	216,637.00
Base year ratio	x	0.056395	0.056395	0.056395	0.056395	0.056395
Base limit		10,211.22	10,794.74	11,259.54	12,212.17	12,217.24
Judicial article amendment		47.64	49.06	50.53	50.53	50.53
Revenue limit		10,258.86	10,843.80	11,310.07	12,262.70	12,267.77
1 percent adjustment		102.59	108.44	113.10	122.63	122.68
Refund threshold	\$	10,361.45	10,952.24	11,423.17	12,385.33	12,390.45

**REFUND CALCULATION**

TSR	\$	8,985.51	9,598.50	8,721.54	8,022.52	8,424.42
Less refund threshold		10,361.45	10,952.24	11,423.17	12,385.33	12,390.45
Over (Under) Threshold		(1,375.94)	(1,353.74)	(2,701.63)	(4,362.81)	(3,966.03)
1 percent adjustment		0.00	0.00	0.00	0.00	0.00
Refund	\$	0.00	0.00	0.00	0.00	0.00

## Exhibit B

Review of Article X, Sections 16 Through 24,  
 Constitution of Missouri  
 Schedule of Total State Revenues

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2007	2008	2009	2010	2011
	1001	Sales and use tax	\$ 2,035,863,087	2,029,365,907	1,927,035,752	1,839,221,316	1,860,913,153
	1003	(l) Parks sales and use tax	41,334,134	41,177,179	38,627,585	37,541,193	38,326,978
	1005	(k) Soil and water sales and use tax	41,334,138	41,177,637	38,627,589	37,541,196	38,326,982
	1007	General revenue reimbursements - local sales and use tax	1,869,288	1,836,920	1,361,895	1,194,248	2,009,254
	1009	Motor vehicle sales tax	63,299,893	29,084,872	2,974,344	2,870,175	2,470,456
	1009	(bb) Motor vehicle sales tax - Amendment 3	166,565,679	171,801,305	161,889,790	166,257,149	178,836,881
	1011	(t) Conservation sales and use tax	103,332,575	102,945,079	96,571,218	93,854,189	95,818,338
	1013	(f) Proposition C sales and use tax	815,417,913	807,214,841	758,897,169	737,027,830	751,790,411
	1015	Sales and use taxes paid under protest	133,448	679,617	1,321,174	485,684	1,073,324
	1016	Suspense holding	-	(1)	-	-	-
	1022	Individual income tax	5,736,714,734	6,118,983,440	5,949,177,456	5,495,243,112	5,641,731,318
	1024	Individual income taxes paid under protest	78,291	107,119	89,239	98,582	80,953
	1026	Corporate income tax	553,946,111	520,955,635	434,036,242	408,935,647	455,662,447
	1028	Corporate income taxes paid under protest	2,311	22,040	2,036	150	-
	1033	County foreign insurance tax	199,210,713	209,554,552	203,798,991	194,396,970	211,060,727
	1037	Worker's compensation insurance tax	6,289,512	13,945,412	12,043,776	9,386,753	12,452,781
	1039	Worker's compensation insurance tax - second injury	64,288,526	60,287,228	54,647,952	43,216,506	37,800,696
	1041	Excess lines of insurance tax	25,158,519	25,699,706	21,920,932	23,053,334	22,300,553
	1049	Heavy beer tax	8,380,561	8,436,959	8,466,036	8,270,996	8,222,901
	1051	Light beer tax	31,303	33,457	37,836	15,330	-
	1053	Liquor tax	18,421,990	18,045,107	18,839,100	19,476,179	19,560,786
	1055	Wine tax	4,496,356	4,657,885	4,646,495	5,023,673	5,175,458
	1057	Cigarette tax	96,959,034	97,150,389	94,799,204	91,151,815	89,965,910
	1059	Tobacco product tax	11,917,483	12,214,822	13,065,193	15,011,542	15,551,490
	1060	Motor vehicle fuel tax	412,792,165	410,494,152	399,565,091	401,519,109	399,527,478
	1060	(g) Motor vehicle fuel tax	175,375,774	175,543,409	168,061,247	169,008,528	169,467,566
	1060	(bb) Motor vehicle fuel tax - Amendment 3	155,649,820	155,798,599	149,158,016	149,998,750	150,406,156
	1062	Special fuel non-gas tax	1,312,257	3,331,931	1,483,582	782,210	370,352
	1062	(bb) Special fuel non-gas tax - Amendment 3	92,863	115,290	104,383	114,205	133,520
	1064	Aviation fuel tax	336,589	343,894	254,811	251,472	254,394
	1070	Corporation franchise tax	77,788,371	92,508,381	94,337,368	93,155,521	81,733,747
	1073	Estate tax	5,971,861	3,451,099	3,068,343	263,642	2,117,782
	1074	(p) Bingo tax	2,282,012	2,154,878	2,142,815	2,198,919	2,157,214
	1076	(q) Gaming commission gross receipts tax	286,393,286	293,171,757	316,072,724	334,287,278	341,376,377
	1080	Real and personal property tax	23,605,723	25,689,796	26,699,750	26,051,387	26,547,565
	1082	Delinquent real and personal property tax	2,791,494	3,280,619	3,332,155	3,486,501	3,170,652
	1084	Hazardous waste fees	1,860,180	1,713,325	1,594,056	1,466,805	1,417,393
	1086	Miscellaneous taxes paid under protest	9,537	-	-	-	-
	1088	Nursing facility reimbursement allowance	12,161,891	12,831,315	13,503,123	14,020,417	14,661,394
	1089	Pharmacy reimbursement allowance	8,915,898	10,806,129	37,988,202	66,335,897	92,850,278
	1090	Federal reimbursement allowance	8,700,416	11,284,451	6,320,261	6,292,537	7,693,473
	1093	Athletic events tax	174,484	120,933	140,907	104,843	136,650
	1095	Surcharges	14,141,291	396,680	410,904	317,448	288,301
	1096	Special taxes and assessments	-	-	-	31,637	-
	1097	Agency collected sales taxes	407,964	352,093	352,820	345,639	312,488
	1099	Other taxes	76,928	83,118	12,151,473	12,411,499	12,013,430
	1100	Professional licenses or permits	23,446,674	21,312,199	25,563,003	24,637,691	24,641,882
	1102	Recreational licenses or permits	4,572,038	4,547,798	5,013,650	5,153,559	5,684,827
	1104	All-terrain vehicle licenses or permits	2,044	326	1	2	0
	1106	Motor vehicle licenses or permits	78,597,030	126,655,951	127,213,317	128,852,046	122,777,623
	1106	(bb) Motor vehicle licenses or permits - Amendment 3	81,093,455	55,960,916	52,894,364	54,833,952	54,761,828
	1108	Interstate transportation licenses or permits	49,638,906	49,744,434	49,686,448	44,535,890	47,312,197
	1108	(bb) Interstate transportation licenses or permits - Amendment 3	22,381,807	21,632,031	21,591,711	20,092,995	21,406,443

## Exhibit B

Review of Article X, Sections 16 Through 24,  
Constitution of Missouri  
Schedule of Total State Revenues

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2007	2008	2009	2010	2011
	1110	Driver's licenses or permits	7,524,695	6,839,329	7,675,442	7,374,159	5,891,775
	1110	(bb) Driver's licenses or permits - Amendment 3	9,467,142	8,718,336	9,438,170	9,101,225	7,631,863
	1112	Land reclamation commission permits	541,457	674,024	645,713	593,636	563,010
	1114	Salesman licenses or permits	247,560	186,320	79,340	328,500	629,900
	1116	Vehicle and boat manufacturer and dealer licenses	980,078	977,540	920,472	892,228	891,432
	1118	Liquor licenses or permits	4,180,895	4,764,537	4,740,555	4,889,334	4,963,343
	1120	Gaming commission licenses	1,728,790	1,712,730	1,769,544	1,617,970	1,732,484
	1122	Beer licenses or permits	18,545	6,117	345,800	350	-
	1124	Motor carrier licenses	2,073,834	94,593	2,672,893	1,604,642	3,813,345
	1126	Hunting and fishing licenses and commission permits	29,535,358	29,390,276	30,505,122	31,059,506	30,206,611
	1127	Hunting and fishing special tags	1,161,514	1,154,059	1,243,205	1,188,356	1,068,541
	1128	Hazardous waste transporter licenses	376,836	303,265	315,291	310,352	288,314
	1130	Water pollution control permits	5,033,755	4,509,288	4,105,784	4,154,272	2,755,242
	1132	Overdimension/overweight permits	3,892	-	-	-	-
	1132	(bb) Overdimension/overweight permits - Amendment 3	6,620,053	8,155,732	7,836,787	7,304,243	7,716,060
	1134	Merchant licenses	1,267,445	1,196,319	1,291,850	1,312,555	1,379,239
	1136	Tobacco licenses	27,000	25,910	27,210	28,600	26,100
	1138	Temporary licenses	125	500	300	600	225
	1140	Duplicate plates	23,936	26,353	4,861	614,506	1,573,920
	1142	Duplicate driver license	-	-	-	739,436	1,943,208
	1149	Other licenses and permits	3,152,349	3,457,744	3,623,316	3,880,320	3,858,723
	1149	(bb) Other licenses and permits - Amendment 3	1,753,449	2,746,279	1,164,998	1,220,855	969,641
	1150	Lobbyist registration fees	13,510	12,190	12,000	10,630	11,400
	1152	Motorboat fees	10,266,665	9,600,457	8,351,195	8,752,777	9,779,949
	1154	Narcotics and dangerous drugs fees	778,581	714,987	1,018,475	811,160	811,020
	1156	Occupational boards exam fees - individual exam fees	616,843	644,623	694,968	699,961	714,469
	1160	(bb) Non-motor fuel decal fees - Amendment 3	83,977	74,587	70,820	75,514	67,474
	1162	Filing fees	19,269,826	19,875,870	19,086,452	17,575,031	17,653,490
	1163	Certifying/authenticating fees	49,425	43,727	34,797	29,439	141,542
	1164	Transfer fees	27,690	26,328	23,188	22,584	26,420
	1165	Service contract registration fee	62,500	73,250	79,300	82,600	86,950
	1169	Other registration fees	7,832,821	8,610,985	8,463,011	8,249,204	10,573,549
	1174	Asbestos fees	238,255	254,582	240,043	253,980	275,160
	1178	Milk control fees	43,058	62,986	75,681	2,737	224,549
	1180	Home health care license fees	129,100	115,450	131,350	114,600	123,300
	1182	Nursing home license fees	128,726	129,076	148,000	144,875	144,174
	1184	Title V emissions fees	8,638,247	9,928,734	9,475,409	8,418,337	8,294,850
	1185	Emission fees/non Title V facilities	356,012	414,460	360,787	354,253	376,707
	1186	Boarding home license fees	715,186	719,196	706,990	700,607	719,900
	1188	Public utilities fees	20,190,954	20,929,841	20,573,416	20,969,774	19,424,369
	1190	Hospital license fees	85,398	80,140	85,855	88,588	81,151
	1192	Grain warehouse license fees	34,159	35,493	35,662	35,307	34,920
	1194	Missouri primacy fees	3,558,666	4,430,383	4,769,823	4,733,196	4,581,461
	1198	Transport load fees	23,634,784	23,608,574	15,360,359	11,451,506	11,474,813
	1200	Storage tank registration fees	70,850	43,420	218,785	211,800	223,930
	1202	Tourist cabin permit fees	183,255	190,413	186,418	190,096	181,740
	1206	Solid waste disposal fees	12,735,973	12,708,281	12,062,594	10,801,800	11,062,761
	1208	New tire fees	2,104,673	2,193,715	2,075,192	2,126,713	2,139,197
	1209	Battery fee	722,637	770,341	689,178	659,823	688,745
	1210	Ground water protection fees	618,151	582,549	553,520	703,057	723,147
	1211	Radioactive waste transport fee	-	-	-	62,375	168,825
	1214	Insurance regulatory fees, renewals and purchasing groups	1,425,228	2,323,828	2,409,276	2,068,293	2,720,667
	1216	Air conservation commission permit fees	299,163	536,063	319,173	262,253	270,803
	1218	Bingo license fees	49,030	48,790	44,755	42,505	46,815
	1220	Lab fees	4,639,903	4,345,438	4,611,505	5,559,077	4,707,017
	1222	Program administration fees	785,700	958,714	1,126,032	1,084,579	1,059,357
	1223	Confined animal feed operation indemnity fees	29,517	9,176	2,143	3,882	1,993
	1224	Railroad assessments	863,313	817,934	1,215,231	251,242	665,300
	1227	Enhanced vehicle emission inspection fees	1,688,837	1,879,945	1,769,830	1,801,168	1,885,301
	1233	Grain warehouse inspection fees	1,508,603	1,868,115	1,608,105	2,061,344	2,158,349
	1235	Milk inspection fees	1,073,188	1,298,899	1,256,812	1,297,735	1,242,699

## Exhibit B

Review of Article X, Sections 16 Through 24,  
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Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2007	2008	2009	2010	2011
	1237	Ice cream products inspection fees	33,060	31,560	30,930	34,400	32,260
	1239	Mine inspection fees	72,498	66,054	66,435	54,881	63,038
	1241	Mobile home and recreational vehicle inspection fees	848,302	692,098	456,887	408,598	361,545
	1243	Oil inspection fees	2,527,235	2,529,258	2,421,394	2,405,616	2,424,084
	1249	Other inspection fees	1,436,877	1,669,840	1,788,609	1,877,287	2,020,607
	1250	Collection fees	22,675,134	23,608,199	23,539,510	22,382,813	24,645,325
	1251	Bankruptcy collections	-	-	14,045	-	-
	1252	Admission fees	1,326,303	1,163,583	1,083,498	1,206,370	1,221,915
	1252 (q)	Admission fees - riverboat gambling	50,902,479	50,443,830	52,232,350	54,445,159	54,296,354
	1254	State auditor fees	1,013,252	539,400	118,764	190,808	254,001
	1260	Grade crossing safety fees	1,548,723	1,252,031	1,409,774	1,269,468	1,285,657
	1262	Loan administration fees	5,163,127	5,521,764	5,738,930	6,297,549	6,240,808
	1262 (c)	Loan administration fees - Fund 881	5,537,769	6,725,473	915,043	94,643	2,781
	1264	Court fees	23,032,841	37,470,842	39,960,611	39,216,151	44,203,725
	1266	Financial institutions examination fees	7,911,716	7,909,159	8,669,478	10,226,204	8,962,723
	1268	Consumer finance license fees	1,053,225	1,208,234	1,007,100	1,064,775	1,087,800
	1270	Transcript fees	123,751	147,615	136,551	108,464	95,754
	1274	Marketing development fees	46,619	33,821	42,539	32,667	41,602
	1276	Miscellaneous insurance fees	500,230	223,250	101,120	93,180	91,920
	1278	Gaming commission administrative income	195	42	51	389	53
	1279 (a)	Lottery commission fees	320,659	310,335	291,569	268,130	273,771
	1280	Motor vehicle inspection sticker fees	4,569,287	4,528,447	4,518,331	4,165,029	3,701,375
	1282	Logo sign advertising fees	5,287,240	5,650,254	5,890,321	6,177,218	2,049,123
	1284	Public defender fees	1,732,334	1,838,506	1,675,741	1,656,372	1,598,188
	1286	Witness fees	12,598	7,315	8,961	10,188	14,068
	1288	County recorders fees	8,941,272	7,956,681	7,153,824	6,794,853	6,718,174
	1290	Training or conference fees	150,108	199,278	238,543	151,682	140,844
	1294	Electronic monitoring fee	1,299,497	758,683	390,939	212,126	140,469
	1298	Substance abuse offender program fees	3,966,623	4,044,125	4,506,829	4,512,493	6,288,725
	1302	Criminal records check fees	6,958,215	9,092,462	9,544,860	9,298,093	9,531,901
	1303	Other fees	23,408,294	25,639,072	24,715,293	23,499,863	22,636,060
	1305 (h)	Bond sales proceeds	829,993,881	591,204,336	135,638,581	1,107,698,801	74,305,145
	1306	Proceeds from capital leases	-	-	-	120	-
	1310	Land sales	3,836,054	4,796,703	6,069,069	4,651,641	5,051,065
	1312	Sales of natural resources products	4,418,501	4,104,935	4,096,409	3,366,092	4,601,621
	1314	Sales of agriculture products	1,711,914	1,718,766	1,872,632	2,023,963	2,168,597
	1316	Manufactured product sales	8,333,588	9,267,484	10,279,039	11,014,608	9,873,622
	1318	Information sales	3,273,720	3,108,519	4,147,230	2,409,400	2,474,349
	1320	Souvenir sales	566,016	484,982	516,912	476,837	543,123
	1322	Surplus property sales - state	3,030,067	1,838,028	1,969,908	2,028,011	2,423,525
	1322 (z)	Surplus property sales - state - Fund 710	1,038,204	2,406,296	1,442,420	1,220,352	1,523,162
	1324	Surplus property sales - federal	2,761,749	3,227,475	2,741,375	1,959,831	2,150,411
	1328	Sales of fixed assets - contro	27,501,823	8,610,355	6,314,677	7,797,363	7,876,231
	1330	Vital records sales	1,714,728	1,623,663	1,388,392	1,327,953	1,205,929
	1332 (a)	Lottery ticket sales	405,909,024	426,619,333	415,724,608	416,039,046	434,022,539
	1334	Cafeteria sales	678,666	810,586	947,866	699,433	586,874
	1338	Other sales	161,139	301,386	165,471	243,013	382,372
	1342	Supply sales	-	252	429	450	445
	1401	Land rentals/leases	802	802	5,020	5,406	5,405
	1403	State facilities rentals/leases	764,022	883,696	744,704	834,070	911,961
	1404	Parking rentals/leases	67,046	57,527	59,971	61,885	63,930
	1405	Concessions and recreational rentals/leases	2,265,352	2,118,733	2,312,217	2,552,306	2,542,114
	1407	Housing/building rentals/leases	483,807	490,125	479,543	1,092,018	393,486
	1409	Other leases and rentals	1,155,026	859,985	1,178,807	913,786	1,399,403
	1414 (e)	Medicare	14,355,763	15,286,228	16,766,843	10,975,222	8,768,553
	1418 (e)	Medicaid	94,774,725	91,248,819	103,783,950	85,028,450	92,207,991
	1420 (e)	Medicaid - community based	116,805,982	127,076,851	115,281,339	145,309,030	168,504,570
	1422	Private payments	6,705,792	6,404,747	7,510,050	5,934,601	5,613,049
	1424	Insurance payments	2,053,140	1,955,642	1,722,218	1,291,657	808,332
	1426	Other payments	6,913	23,242	13,444	120,433	5,416
	1434	Institutional support fees	98,527	32,466	-	-	66,796

## Exhibit B

Review of Article X, Sections 16 Through 24,  
 Constitution of Missouri  
 Schedule of Total State Revenues

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2007	2008	2009	2010	2011
	1436	Room and care	26,844,689	28,463,349	28,265,453	27,033,482	26,450,131
	1442	Mail/freight services	581	-	-	-	16
	1444	Telephone billing	-	-	-	-	1,010
	1446	Printing service	166,681	189,891	200,348	186,357	155,295
	1448	Computer services	3,897	3,739	3,412	1,980	1,040
	1450	Administration services	45	-	-	10	-
	1501	Private donations	2,944,164	4,957,335	5,918,919	5,523,556	3,796,587
	1502	Other governmental entity donations	-	232,942,595	1,077,338	50,000	30,000,000
	1504	Donated assets-state agencies	-	268,140	-	-	-
	1507	(e) NASAO (airport inspections)	16,500	29,603	11,000	33,000	17,400
	1510	(e) US Department of Agriculture	349,407,388	381,641,506	420,410,665	457,571,495	447,130,718
	1512	(e) US Department of Defense	3,893,101	4,060,015	4,651,803	23,767,533	31,454,764
	1513	(e) US Department of Homeland Security	1,252,634	682,977	2,042,282	39,057,825	9,471,900
	1514	(e) US Department of Housing and Urban Development	34,535,980	31,411,897	31,289,602	49,360,455	70,778,353
	1516	(e) US Department of Interior	27,365,634	20,279,925	23,070,474	22,699,053	26,612,937
	1518	(e) US Department of Justice	70,533,811	69,045,688	56,902,635	3,816,756	2,269,245
	1520	(e) US Department of Labor	74,373,262	68,105,755	58,743,547	152,277,061	144,779,543
	1522	(e) US Department of Education	638,057,083	645,983,360	658,786,433	619,202,729	637,105,051
	1522	(c) US Department of Education - Fund 880	7,878,432	8,583,560	9,240,882	9,889,521	6,182,000
	1522	(c) US Department of Education - Fund 881	54,336,871	68,627,016	69,496,551	87,353,849	103,667,608
	1524	(e) US Department of Transportation	894,887,794	966,375,333	907,815,007	929,620,189	1,402,202,201
	1526	(e) National Foundation for the Arts and Humanities	4,255,569	3,997,117	3,926,131	4,030,270	4,436,977
	1528	(e) US Veterans Administration	30,818,955	33,325,810	39,646,428	54,492,264	50,961,946
	1530	(e) US Environmental Protection Agency	83,034,587	77,554,953	68,660,802	35,838,751	44,310,100
	1532	(e) US Department of Energy	5,956,480	7,199,609	8,153,289	5,594,925	4,450,007
	1534	(e) Federal Emergency Management Agency	56,826,554	100,158,631	93,612,003	139,707,918	63,343,101
	1536	(e) US Department of Health and Human Services	4,852,243,251	5,173,517,451	5,962,380,121	6,016,121,798	6,034,950,237
	1540	(e) US Social Security Administration	29,882,066	31,986,280	34,225,980	40,514,268	43,705,857
	1542	(e) National Archives and Records	-	2,847	7,883	17,353	93,136
	1544	(e) Elections Assistance Commission	-	-	-	-	5,456,068
	1546	(e) US Department of Treasury	7,217	14,131	-	19,625	8,886,997
	1549	(e) Miscellaneous federal revenues	36,183,522	39,257,277	41,423,945	68,127,966	62,084,275
	1551	County mental health programs	13,875,319	14,145,722	17,279,085	18,167,071	19,286,288
	1557	(e) American Recovery and Reinvestment Act	-	-	218,840,784	2,002,794,267	1,788,700,092
	1558	(e) American Recovery and Reinvestment Act - other	-	-	-	8,023,274	2,440,576
	1560	(e) Federal pass-through grants	34,258,934	25,400,556	29,303,116	25,120,494	70,016,585
	1601	Time deposits interest	23,996,538	29,926,290	12,009,416	6,253,940	2,167,040
	1601	(f) Time deposits interest - Fund 688	612,653	641,067	216,290	163,391	37,851
	1601	(a) Time deposits interest - Fund 657	242,536	273,873	100,337	66,243	13,258
	1601	(k) Time deposits interest - Fund 614	292,342	358,018	140,951	103,734	20,915
	1601	(l) Time deposits interest - Fund 613	75,523	72,808	17,798	14,736	5,753
	1601	(b) Time deposits interest - Fund 905	42,128	48,307	18,420	14,778	3,691
	1601	(p) Time deposits interest - Fund 289	18,977	8,238	3,650	3,395	865
	1601	(q) Time deposits interest - Fund 285	136,919	148,375	56,151	47,805	10,069
	1601	(d) Time deposits interest - Fund 963	328	381	146	1,952	527
	1601	(t) Time deposits interest - Fund 609	173,506	249,889	93,732	75,531	17,373
	1601	(c) Time deposits interest - Fund 851	4	-	-	-	-
	1601	(c) Time deposits interest - Fund 880	136,386	254,027	110,497	101,593	19,456
	1601	(c) Time deposits interest - Fund 881	256,202	283,429	123,463	95,229	23,317
	1603	U.S./agency securities interest	136,046,244	165,547,425	98,431,256	38,510,748	31,640,226
	1603	(f) U.S./agency securities interest - Fund 688	2,360,935	2,378,829	1,292,741	503,800	353,267
	1603	(a) U.S./agency securities interest - Fund 657	790,655	885,649	549,694	235,454	128,797
	1603	(k) U.S./agency securities interest - Fund 614	978,599	1,168,927	770,521	319,530	201,400
	1603	(l) U.S./agency securities interest - Fund 613	270,821	252,923	98,993	42,694	50,430
	1603	(b) U.S./agency securities interest - Fund 905	138,138	156,670	100,277	44,708	34,139
	1603	(p) U.S./agency securities interest - Fund 289	61,420	26,900	20,342	10,444	8,338
	1603	(q) U.S./agency securities interest - Fund 285	491,769	513,853	316,656	136,156	90,728
	1603	(d) U.S./agency securities interest - Fund 963	2,271	2,594	2,330	6,043	6,917
	1603	(t) U.S./agency securities interest - Fund 609	599,606	821,176	515,226	232,165	161,971
	1603	(c) U.S./agency securities interest - Fund 851	13	-	-	-	-
	1603	(c) U.S./agency securities interest - Fund 880	444,875	813,773	593,614	294,831	193,399

## Exhibit B

Review of Article X, Sections 16 Through 24,  
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Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2007	2008	2009	2010	2011
	1603	(c) U.S./agency securities interest - Fund 881	838,339	908,536	684,046	305,371	221,653
	1605	Other investment interest	669,229	611,213	414,850	102,828	128,207
	1605	(d) Other investment interest - Fund 963	-	-	-	194	-
	1608	Realized gains and losses	-	-	-	19	7,891
	1608	(d) Realized gains and losses - Fund 963	-	-	-	1	273
	1610	Interest on loans	1,343,034	1,105,177	1,237,598	1,453,361	3,031,747
	1612	Interest - federal	11,749,631	4,213,149	125	70	-
	1614	Interest on receivables	59,153	19,012	37,829	17,202	10,584
	1616	Interest on settlements	65,220	66,588	108,045	805,015	9,653
	1618	Other interest	53,160	157,670	34,041	194,809	39,240
	1618	(c) Other interest - Fund 880	96,985	57,651	-	-	4,796
	1618	(t) Other interest - Fund 609	-	431	88	-	-
	1620	Safety responsibility	-	15	-	-	-
	1621	Penalties	9,424,865	8,484,577	9,334,634	10,405,711	6,795,157
	1621	(c) Penalties - Fund 881	826	1,622	22,044	250	74
	1624	Settlements	2,301,820	49,350,712	1,283,220	5,845,579	2,085,472
	1626	Court awards	1,704,591	2,106,126	12,331,225	9,368,911	5,803,584
	1628	Insufficient funds charges	4,936	5,600	5,061	6,575	6,420
	1634	Estates	153	756	38,120	1,256	588
	1636	Unclaimed properties	91,118,828	66,694,449	57,078,780	75,944,392	82,406,170
	1700	(i) Salary refunds - federal	758,548	589,826	614,761	537,615	685,275
	1701	(i) Salary refunds - state	35,771	25,423	18,399	15,712	15,075
	1702	(i) Salary refunds - local/other	20,238	17,151	16,418	24,360	20,491
	1703	(i) General relief pension refunds	70,586	16,784	4,955	5,291	2,086
	1704	(i) Blind pension refunds	11,895	9,433	10,319	4,777	1,994
	1706	(i) Dependent children pension refunds	356,687	290,147	275,511	326,393	443,858
	1715	(i) Day care refunds	183,536	191,875	53,530	35,345	25,126
	1717	(i) Medicare - Medicaid refunds	226,517,358	258,377,975	294,632,462	340,610,206	482,052,781
	1719	(i) Cost in criminal cases refunds	693,320	761,476	863,183	977,526	859,303
	1720	(i) American Recovery and Reinvestment Act refunds	-	-	-	591,913	2,027,020
	1721	(i) Vendor refunds - federal	1,213,162	1,657,882	777,934	2,629,247	1,280,623
	1722	(i) Vendor refunds - state	517,589	1,203,020	566,893	1,268,213	1,018,335
	1722	(a) Vendor refunds - state - Fund 657	3,189	831	5,318	989	1,974
	1722	(c) Vendor refunds - state - Fund 880	2,672	54,278	2,345	524	5
	1722	(c) Vendor refunds - state - Fund 881	-	945,118	-	-	-
	1723	(i) Vendor refunds - local/other	276,869	234,455	1,163,024	1,839,205	1,541,924
	1723	(c) Vendor refunds - local/other - Fund 880	-	-	-	2,279	-
	1724	(i) Political subdivision refunds	20,255	25,023	3,373	9,988	6,128
	1725	(i) Excess court payment refunds	1,900,561	818,399	1,359,396	1,384,433	3,460,515
	1727	(i) School refunds	4,691,784	8,222,948	6,649,921	12,773,166	10,205,891
	1727	(c) School refunds - Fund 880	-	-	-	-	7,758
	1728	(i) Scholarship refunds	355,827	274,898	240,482	227,907	173,655
	1729	(i) Audit findings - federal	35,091	-	43,331	7,880	823
	1730	(i) Audit findings - state	-	-	40,980	-	-
	1731	(i) Audit findings - local/other	175,203	434,776	104,984	349,002	84,447
	1732	(i) Utility refunds	18,141	17,744	32,023	26,130	37,472
	1733	(i) Fuel tax refunds	150,385	151,592	(106,840)	243,111	245,974
	1737	(i) Other refunds	4,433,171	5,873,148	4,096,155	6,804,856	3,968,580
	1737	(a) Other refunds - Fund 657	47,344	134,433	-	-	-
	1737	(c) Other refunds - Fund 880	25,211	3,503	-	-	244
	1737	(c) Other refunds - Fund 881	29	-	10,396	35	-
	1806	(v) Recovery costs	156,840,026	168,814,932	189,968,684	157,227,270	151,037,762
	1806	(a) Recovery costs - Fund 657	-	-	845	-	-
	1808	Deposit of surplus property funds	-	-	-	921	4,599
	1811	(y) Local match	3,010,486	3,367,687	72,096,316	87,931,854	91,490,039
	1812	(w) Cost reimbursements - federal	859,539	528,325	1,447,120	1,046,340	638,071
	1813	(w) Cost reimbursements - state	32,758,124	24,793,321	75,467,210	55,264,763	79,229,100
	1813	Cost reimbursements - state (included)	10,036,608	11,640,527	13,832,495	12,832,252	14,301,943
	1813	(c) Cost reimbursements - Fund 880	-	465	-	-	-
	1814	(w) Cost reimbursements - local/other	128,148,184	157,061,744	183,357,141	229,800,753	191,294,541
	1814	(c) Cost reimbursements - local/other - Fund 880	-	-	284	-	-

## Exhibit B

Review of Article X, Sections 16 Through 24,  
Constitution of Missouri  
Schedule of Total State Revenues

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2007	2008	2009	2010	2011
	1816	Bond account	6,305,705	7,677,792	7,110,689	7,513,599	7,368,307
	1818	(u) Employee expense reimbursement - federal	405	112	1,414	2,930	-
	1819	(u) Employee expense reimbursement - state	26,116	5,199	671	1,301	688
	1820	(u) Employee expense reimbursement - local/other	583	-	-	27	3
	1821	(u) Employee personal expense reimbursement	35,838	94,250	63,910	46,387	183,172
	1821	(c) Employee personal expense reimbursement - Fund 880	10	3	-	-	-
	1822	(n) Outlawed checks	7,228,137	5,993,548	5,619,566	8,545,958	7,037,537
	1822	(b) Outlawed checks - Fund 905	6,102	9,348	5,176	5,302	7,945
	1824	(x) Canceled checks	4,042,092	2,562,124	1,779,409	4,390,790	2,430,074
	1824	(a) Canceled checks - Fund 657	-	-	120	-	686
	1824	(b) Canceled checks - Fund 905	4	2,967	2,318	550	-
	1824	(c) Canceled checks - Fund 880	109	-	-	-	-
	1826	(m) Redeposit of investments principal	1,167,300	1,304,050	1,801,100	22,021,895	1,216,650
	1826	(d) Redeposit of investments principal - Fund 963	-	-	-	721,761	-
	1828	(o) Redeposit of loan principal	40,736,073	41,337,044	46,089,055	53,273,825	55,411,431
	1830	Telephone commissions	1,004,266	819,800	840,814	867,887	893,850
	1832	Commission on sales	25,670	28,177	27,522	15,629	11,653
	1834	Rebates	346,877	927,252	1,924,379	886,600	923,074
	1834	(a) Rebates - Fund 657	563	978	897	902	2,243
	1834	(c) Rebates - Fund 880	2,224	7,112	5,029	969	3,478
	1834	(aa) Rebates - WIC	38,046,323	39,542,659	43,522,102	44,278,144	44,989,878
	1836	Housing and maintenance receipts	70,788	61,735	47,823	47,394	47,609
	1838	Loan defaults	638,617	336,208	573,499	489,467	903,996
	1840	(s) Loan proceeds	7,861,815	42,630,952	25,878,784	10,458,915	20,704,819
	1842	(o) Loan repayment	103,409	109,797	84,983	120,767	134,928
	1842	(c) Loan repayment - Fund 880	-	-	-	-	(1,600)
	1842	(c) Loan repayment - Fund 881	49,202,530	51,746,648	58,430,783	44,714,602	56,958,607
	1843	(o) Loans receivable contra account	3,227,912	3,035,032	3,457,702	3,074,095	3,219,769
	1844	Insurance proceeds	2,448	500	2,343	100	26,989
	1846	Capital credits/dividends	53,045	67,838	56,056	70,718	67,873
	1846	(d) Capital credits/dividends - Fund 963	-	-	-	62	-
	1848	Recycling receipts	181,661	301,545	144,022	203,522	352,568
	1850	Forfeitures	1,960,425	1,803,287	1,699,515	3,012,793	1,572,364
	1852	Overpayments	6,004,394	2,654,717	1,286,358	794,761	250,613
	1852	(c) Overpayments - Fund 880	-	-	-	-	765
	1856	(e) Other miscellaneous receipts - federal	4,861,403	7,979,360	8,114,311	5,080,717	5,920,959
	1858	Other miscellaneous receipts - state	4,141,635	2,124,232	2,324,164	1,504,015	2,317,557
	1858	(a) Other miscellaneous receipts - state - Fund 657	6,496	4,902	9,667	4,131	4,865
	1858	(b) Other miscellaneous receipts - state - Fund 905	11,005,829	11,136,779	11,956,369	11,444,550	12,628,615
	1860	Other miscellaneous receipts - local/other	635,352	3,695,397	35,975,437	6,709,058	4,141,399
	1860	(a) Other miscellaneous receipts - local/other - Fund 657	1,024,385	410,501	2,460,146	2,644,908	862,178
	1860	(c) Other miscellaneous receipts - local/other - Fund 880	-	-	-	-	2,195
	1862	Fees for copying public records	394,686	304,600	260,326	276,682	249,776
	1862	(a) Fees for copying public records - Fund 657	124	6,653	1,340	12	55
	1866	Federal share of grantee sales	371,362	85,111	197,237	367,625	310,955
	1870	Receivable overpayment - state	4,384	4,936	5,989	6,036	6,584
	1872	Receivable overpayment - local	27	241	452	(61)	1,550
	6001	(j) Supply sales	231	1,240	1,354	275,708	521,662
	6002	(j) Open records fees	8,983	14,607	9,677	11,171	11,337
	6003	(j) Fleet services operations/maintenance	1,417,108	1,399,792	1,428,340	1,366,715	1,574,218
	6005	(j) Fleet services replacement	1,795,574	1,643,902	1,815,707	730,248	870,185
	6006	(j) Criminal records check fees	416,590	551,019	548,855	414,162	392,457
	6007	(j) Mail/freight services	1,103,960	4,623,797	5,206,206	8,561,257	11,506,019
	6009	(j) Telephone billing	27,984,063	29,296,050	30,228,498	30,585,852	30,773,403
	6011	(j) Printing service	6,772,408	6,758,675	7,245,959	6,440,656	5,682,997
	6013	(j) Reimbursement/recovery cost	46,816,635	27,588,347	37,796,274	28,796,499	28,033,182
	6015	(j) Leased facility	24,524,831	28,115,044	89,825,994	91,329,415	101,160,500
	6017	(j) Sale of material, supplies, and services	1,562,826	1,023,568	635,852	659,046	452,218
	6019	(j) Training	929,024	1,370,505	1,078,692	588,818	438,684
	6021	(j) Computer services	21,535,182	20,108,887	19,477,666	21,864,293	22,116,269
	6023	(j) Administration services	703,313	538,893	618,124	642,348	548,877

## Exhibit B

Review of Article X, Sections 16 Through 24,  
Constitution of Missouri  
Schedule of Total State Revenues

Revenue Source	Code	Type of Revenue	Year Ended June 30,				
			2007	2008	2009	2010	2011
	6025	(j) Flight operations services	246,618	306,660	379,838	382,198	374,033
	6027	(j) Sale of manufactured products	20,523,336	27,259,106	29,179,527	21,134,511	21,070,342
	6029	(j) Interagency receipts	20,866,582	22,106,993	23,416,792	25,746,374	34,778,712
	6029	(c) Interagency receipts - Fund 881	390,026	439,461	491,591	474,062	659,991
	6030	(j) Sampling &/or analysis	60,421	19,023	614,983	607,533	797,593
	6031	(r) Redeposit of state funds	81,964	91,307	199,713	2,916,492	68,696
	6032	(j) Deposit of unclaimed property	99	-	300	-	-
	6033	(j) Permits	50,279	46,380	83,427	53,758	11,479
	6034	(j) Registration fees	95,400	85,920	81,635	51,715	45,642
	6035	(j) Taxes	939,124	1,028,358	7,671,468	6,462,818	7,500,691
	6036	(j) Transcript fees	4,807	6,563	8,658	17,296	15,825
		Total revenues	21,928,919,952	22,939,031,965	22,962,810,345	25,392,293,299	25,114,403,059
Fund Exclusions:							
	(a)	Lottery Enterprise - Fund 657	408,344,975	428,647,487	419,144,543	419,259,815	435,310,365
	(b)	Alternative Care Trust Fund - Fund 905	11,192,201	11,354,071	12,082,560	11,509,889	12,674,389
	(c)	Student Loan Funds 626, 851, 880, and 881	119,149,513	139,451,675	140,126,568	143,327,758	167,946,528
	(d)	Pansey-Johnson-Travis Memorial State Gardens Trust - Fund 963	2,599	2,974	2,476	730,013	7,717
Revenue Source Exclusions:							
	(e)	Federal funds	7,458,588,194	7,921,621,979	8,907,850,373	10,944,202,688	11,231,060,138
	(f)	Proposition C sales and use tax/interest	818,391,501	810,234,737	760,406,201	737,695,022	752,181,529
	(g)	Proposition A gas tax and license fee increases	175,375,774	175,543,409	168,061,247	169,008,528	169,467,566
	(h)	Bond sales	829,993,881	591,204,336	135,638,581	1,107,698,801	74,305,145
	(i)	Refunds	242,435,981	279,193,974	311,461,193	370,692,275	508,157,378
	(j)	Interagency sales and receipts	178,357,392	173,893,330	257,353,826	246,722,388	268,676,324
	(k)	Soil and water sales and use tax/interest	42,605,079	42,704,582	39,539,061	37,964,461	38,549,297
	(l)	Parks sales and use tax/interest	41,680,478	41,502,910	38,744,377	37,598,624	38,383,162
	(m)	Redeposit of investment principal	1,167,300	1,304,050	1,801,100	22,021,895	1,216,650
	(n)	Outlawed checks	7,228,137	5,993,548	5,619,566	8,545,958	7,037,537
	(o)	Redeposit of loan principal	44,067,394	44,481,873	49,631,740	56,468,687	58,766,128
	(p)	Bingo	2,362,408	2,190,015	2,166,806	2,212,759	2,166,417
	(q)	Riverboat gambling	337,924,453	344,277,815	368,677,880	388,916,398	395,773,528
	(r)	Redeposit of state funds	81,964	91,307	199,713	2,916,492	68,696
	(s)	Loan proceeds	7,861,815	42,630,952	25,878,784	10,458,915	20,704,819
	(t)	Conservation sales and use tax/interest	104,105,688	104,016,575	97,180,265	94,161,885	95,997,681
	(u)	State employee expense account reimbursement	62,942	99,562	65,995	50,645	183,863
	(v)	Recovery costs	156,840,026	168,814,932	189,968,684	157,227,270	151,037,762
	(w)	Cost reimbursements	161,765,847	182,383,390	260,271,471	286,111,856	271,161,711
	(x)	Canceled checks	4,042,092	2,562,124	1,779,409	4,390,790	2,430,074
	(y)	Local match	3,010,486	3,367,687	72,096,316	87,931,854	91,490,039
	(z)	Proceeds of surplus property sales - Fund 71C	1,038,204	2,406,296	1,442,420	1,220,352	1,523,162
	(aa)	WIC rebates	38,046,323	39,542,659	43,522,102	44,278,144	44,989,878
	(bb)	Constitutional amendment No.3	443,708,243	425,003,075	404,149,038	408,998,888	421,929,866
		CMIA interest payment to the federal government	2,330,281	2,117,351	1,629,506	215,748	24,499
		Agency remitted sales tax	435,720	415,655	400,123	380,227	369,084
		Abandoned funds claim payments	21,635,424	30,642,979	25,133,509	33,675,322	34,703,091
		Federal interest	11,749,631	4,213,149	125	70	-
		Coding errors	1,399	-	-	-	-
		Total exclusions	11,675,583,344	12,021,910,458	12,742,025,558	15,836,594,412	15,298,294,024
		Total revenues after exclusions	10,253,336,608	10,917,121,507	10,220,784,787	9,555,698,887	9,816,109,035
Less expenditure refunds (Exhibit C)							
			(1,272,907,957)	(1,321,367,348)	(1,504,906,007)	(1,543,126,545)	(1,414,459,977)
Add refundable tax credits:							
		Business Facility	19,478	92,579	13,702	35,878	2,907,965
		Enterprise Zone	52,168	50,111	33,142	38,836	185,922
		BUILD	5,011,569	2,570,811	3,252,101	4,998,107	7,956,937
		Missouri Quality Jobs	-	37,366	1,877,275	3,116,592	5,322,994
		New Enhanced Enterprise Zone	-	126	16,842	1,246,148	2,885,117
		Residential Dwelling Accessibility	-	-	11,372	17,984	23,186



Exhibit B

Review of Article X, Sections 16 Through 24,  
Constitution of Missouri  
Schedule of Total State Revenues

Revenue Source Code	Type of Revenue	Year Ended June 30,				
		2007	2008	2009	2010	2011
	Self-employed Health Insurance	-	-	451,605	476,471	1,558,354
	Public Safety Officer Surviving Spouse	-	-	6,170	18,149	20,899
	Brownfield Jobs and Investment Credit	-	-	-	-	1,906,660
	Total State Revenue	\$ 8,985,511,866	9,598,505,152	8,721,540,989	8,022,520,507	8,424,417,092

## Exhibit C

Review of Article X, Sections 16 Through 24,  
 Constitution of Missouri  
 Schedule of Expenditure Refunds

Object Code	Description	Year Ended June 30,				
		2007	2008	2009	2010	2011
	SAM II Expenditure Refunds:					
3200	Bond refunds	\$ 3,607,162	2,970,993	3,142,134	3,406,613	3,624,472
3206	Deposit and escrow refunds	100,990	79,807	75,915	53,517	75,167
3212	Federal share grantee sales refunds	-	-	-	386	-
3213	Tax credit debt offset	658,452	227,342	238,494	259,589	159,943
3215	Debt offset refunds	9,154,126	9,513,639	9,101,435	9,616,812	10,724,197
3218	Motor vehicle license fee refunds	1,551,837	1,162,009	450,450	458,604	342,352
3221	Driver's license fee refunds	89,678	71,902	69,368	57,742	58,495
3227	License and permit fee refunds	144,244	164,254	145,499	183,361	147,645
3230	Registration fee refunds	21,762	9,653	5,200	9,990	4,342
3233	Regulatory fee refunds	13,154	52,960	12,487	7,714	16,754
3236	Inspection fee refunds	41,017	32,265	51,104	52,865	41,178
3239	Miscellaneous fee refunds	401,386	265,248	468,145	321,503	298,548
3242	Sales refunds	11,076	4,995	19,375	9,829	3,455
3245	Lease and rentals refunds	5,490	4,108	13,281	4,996	4,551
3248	Medical services refunds	4,982,151	6,420,842	6,600,044	6,002,089	6,525,413
3251	Contributions refunds	-	50	5,857,204	14,488,536	16,298,595
3254	Federal refunds	112,019	375,453	441,708	3,621,387	355,286
3255	Financial institutions tax refunds	-	60	-	-	-
3257	Penalty and court award refunds	15,971	98,591	145,810	48,478	14,444
3260	Interagency billing refunds	3,294	1,277	-	12,061	-
3261	Receivable overpayment refunds	31,237	54,017	32,948	70,421	180,639
3266	Missouri consolidated check off refunds	(48)	-	-	-	-
3267	Deferred revenue refunds	1,468,220	4,754,448	2,415,893	4,176,769	1,545,606
3269	Other refunds	5,658,768	600,632	643,992	1,425,466	2,411,778
3272	Sales and use tax protested refunds	5,255,333	13,101	-	782	200,205
3281	County foreign insurance tax refunds	21,577,679	23,577,535	14,220,444	16,943,164	17,921,126
3287	Worker's compensation insurance tax refunds	78,341	1,447,545	2,118,877	725,543	2,212,394
3293	Cigarette tax refunds	31,563	39,838	-	-	146,382
3296	Tobacco products tax refunds	631	4,349	-	-	-
3299	Aviation fuel tax refunds	25,589	16,155	58,079	4,957	6,304
3305	Special fuel (non-gas) tax refunds	32,290,045	28,343,359	24,411,746	23,022,799	25,710,530
3308	Fuel tax refunds	8,885,478	9,336,130	11,297,330	10,599,366	10,237,237
3311	Sales tax refunds	1	3,612	262	468	36
3314	Food tax exemption refunds	-	831,966	-	-	-
3317	General sales and use tax refunds	88,368,480	69,427,541	70,654,335	60,007,381	49,875,140
3326	Motor vehicle sales tax refunds	3,981,005	3,867,997	2,883,786	2,889,341	3,110,419
3329	Motor vehicle use tax refunds	1,164,938	1,043,711	821,239	837,107	955,515
3335	Boat tax refunds	9,587	4,339	4,610	4,787	6,390
3338	Individual tax refunds	808,846,331	900,112,335	1,059,238,817	1,050,281,318	993,083,426
3341	Senior citizens tax refunds	93,118,292	100,165,523	118,574,491	118,595,070	114,887,118
3344	Corporation tax refunds	172,190,828	151,204,765	164,028,331	212,907,168	149,575,393
3347	Franchise tax refunds	1,188,431	3,760,724	6,133,165	1,512,990	2,189,789
3350	Inheritance tax refunds	7,429,565	310,823	38,417	18,345	172,440
3356	Other tax refunds	393,855	991,455	491,591	487,232	1,337,274
	Total SAM II Expenditure Refunds	\$ 1,272,907,957	1,321,367,348	1,504,906,007	1,543,126,545	1,414,459,977

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# Review of Article X, Sections 16 Through 24, Constitution of Missouri

## Background, Methodology, and Conclusions

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The following identifies the various components of the amendment and the application of the amendment to state revenues.

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### Formula

Article X, Section 18(a), Missouri Constitution, establishes the revenue limit formula as follows:

Revenue limit for FY 20XX	=	$\frac{\text{Total state revenue (TSR) in FY 1981}}{\text{CY 1979 Missouri personal income (MPI)}}$	x	The greater of MPI in the calendar year (CY) prior to the CY in which appropriations are made for FY 20XX or Average MPI for three CYs preceding FY 20XX.
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The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC).

The Office of Administration, Division of Budget and Planning (OA-BP) does not adjust the BYR for changes already made or for future changes or adjustments to this amount by the DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" the DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by the DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by the DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.



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Review of Article X, Sections 16 Through 24,  
Constitution of Missouri  
Background, Methodology, and Conclusions

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The BYR was calculated by the OA-BP as follows (dollar amounts are in millions):

$$\frac{\$2,232.204096}{\$ 39,581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

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## Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo, which was effective on July 1, 1981. In past years, the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. However, the Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

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## Composition of Total State Revenues

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax



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Review of Article X, Sections 16 Through 24,  
Constitution of Missouri  
Background, Methodology, and Conclusions

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fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

## Excluded Funds

From the revenue amounts obtained from SAM II, certain funds are entirely excluded to arrive at TSR, as defined in Article X, Section 17(1), Missouri Constitution, as follows:

- A. Lottery

In November 1984, the voters approved Article III, Section 39(b), Missouri Constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.
- B. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo. The Department of Social Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Missouri Veterans Commission hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.
- C. State Guaranty Student Loan Funds

Federal legislation passed in 1997 made changes in the accounting required for federal education loans. Starting in federal fiscal year 1998, the federal government considers all monies in these funds as property of the federal government or guaranty agency. As a result, the state excludes these funds held in trust.
- D. Pansey Johnson-Travis Memorial State Gardens Trust Fund

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.



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Review of Article X, Sections 16 Through 24,  
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**Excluded Revenues**

From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1), Missouri Constitution, as follows:

- |  |   |
|--|---|
| E. Federal Funds   | Article X, Section 17, Missouri Constitution, specifically excludes federal funds.  |
| F. Proposition C Sales and Use Tax/Interest  | In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16, Missouri Constitution, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.                               |
| G. Proposition A Gas Tax and License Fee Increases   | In April 1987, the voters approved Proposition A, which increased the motor fuel tax by 4 cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded. Also, see item BB. below.  |
| H. Bond Sales  | An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.   |
| I. Refunds   | Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded.   |
| J. Interagency Sales and Receipts  | Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.  |
| K. Soil and Water Sales and Use Tax/Interest<br>and<br>L. Parks Sales and Use Tax/Interest | In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c), Missouri Constitution, states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded. |
| M. Redeposit of Investment Principal   | The redeposit of investment principal is excluded.  |
| N. Outlawed Checks   | Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.  |
| O. Redeposit of Loan Principal   | Redeposits of loan principal are excluded.  |



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Review of Article X, Sections 16 Through 24,  
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P. Bingo

The August 1992 amendment to Article III, Section 39(d), Missouri Constitution, related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo, requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

Q. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d), Missouri Constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. In November 2008, the voters approved increasing the tax to 21 percent. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d), Missouri Constitution, and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d), Missouri Constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee payable to the state is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR. The remaining one dollar portion of the two dollar admission fee is also excluded from TSR because these funds are distributed



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Review of Article X, Sections 16 Through 24,  
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by the Department of Revenue without deposit in the state treasury and without appropriation.

- R. Redeposit of State Funds      The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.
- S. Loan Proceeds      The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.
- T. Conservation Sales and Use Tax/Interest      Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eighth of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.
- U. State Employee Expense Reimbursement      The state receives reimbursement from private individuals, firms, partnerships, corporations, etc., for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.
- V. Recovery Costs      Monies received from others for costs incurred by the state or to be incurred by the state are excluded. Also, see item W. below.
- W. Cost Reimbursements      Monies received from other governments for reimbursements of costs incurred by the state are excluded.
- Regarding items V. and W., the state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. Although the constitution does not specifically mention cost reimbursements and recovery costs and they have not been the subject of a court decision, we have agreed with such exclusions because from an accounting standpoint, they would not be considered revenue.
- X. Canceled Checks      Receipts derived from the redeposit of state checks that have been canceled are excluded.
- Y. Local Match      Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.
- Z. Proceeds of Surplus Property Sales      The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then disbursed from this fund to the state fund that owned the property. To avoid counting the same





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receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

AA. WIC Rebates

The Department of Health and Senior Services (DHSS) issues food instruments for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to program participants who use them to obtain formula at participating grocery stores and pharmacies. The participating grocery stores and pharmacies then redeem the food instruments. The food instruments are processed through the Federal Reserve System and the WIC program is charged for the food instruments presented. The DHSS records the redeemed food instruments and sends a monthly invoice to the contracted infant formula manufacturer who then rebates a portion of the sales proceeds to the state.

BB. Amendment 3 Revenue  
Derived From Highway  
Users

In November 2004, the voters approved an amendment to Article IV, Sections 29 and 30(a) through 30(c) and added Section 30(d), Missouri Constitution, effective July 1, 2005.

Section 30(a) provides for the apportionment and distribution of net proceeds of motor fuel tax. This section further provides that, ". . . The net proceeds of fuel taxes apportioned, distributed and deposited under this section to the state road fund, counties, cities, towns and villages shall not be included within the definition of "total state revenues". . . ."

Section 30(b) provides for the use and distribution of revenue derived from highway users as an incident to their use or right to use the highways of the state (including all state license fees and taxes on motor vehicles, trailers and motor vehicle fuels and excepting sales tax on motor vehicles and trailers which are not distributed to the state road fund). This section further provides that, ". . . The moneys apportioned or distributed under this section to the state road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of "total state revenues". . . ."

As a result, motor vehicle sales tax and special fuel non-gas tax, and fees from motor vehicle licenses or permits, interstate transportation licenses or permits, driver's licenses or permits, overdimension/overweight permits, other licenses and permits, and non-motor fuel decals credited to the State Road Fund, State Road Bond Fund, and/or State Transportation Fund are excluded from TSR.

The increase in interstate transportation license or permits for certain motor vehicles excluded under this section were previously excluded and, as a result, have no impact on TSR. (See item G. above.)

Sections 29, 30(c), and 30(d) have no apparent Hancock implications.



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Review of Article X, Sections 16 Through 24,  
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**Other Exclusions and  
Limits**

Other exclusions and limits have been considered to arrive at TSR, as follows:

**Cash Management Improvement  
Act**

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

**Agency Remitted Sales Tax**

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

**Abandoned Funds Claim  
Payments**

Under Section 447.543, RSMo, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

**Expenditure Refunds**

According to Article X, Section 17(1), Missouri Constitution, total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

**Tobacco Master Settlement  
Agreement Proceeds**

The OA-BP has excluded \$132,631,552 received from tobacco companies during fiscal year 2011. The Master Settlement Agreement was entered into effective November 23, 1998, between the major cigarette manufacturers and the states' Attorney Generals. Missouri received its first payments under the settlement agreement during fiscal year 2001 and future payments from tobacco companies extend in perpetuity. The payment received in 2001 included amounts under the settlement agreement for 1998, 2000, and 2001. The settlement agreement did not require a payment for 1999. Payments for fiscal years 2001 through 2010 were as follows:



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Fiscal Year	Amount
2001	\$ 338,230,653
2002	172,679,543
2003	166,895,179
2004	142,829,966
2005	144,964,644
2006	133,078,222
2007	139,292,616
2008	153,277,453
2009	168,066,958
2010	140,318,927

The amounts received were coded in the state's accounting system to revenue source code 1806 - recovery costs, which is excluded from TSR. Recovery costs are defined under revenue source code 1806 as, "*all money recovered from others for costs incurred by the state or to be incurred by the state.*" The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery of health care costs previously incurred or to be incurred by the state attributable to smoking.

Public information was not readily available to determine if the amounts recovered from the tobacco companies under the master settlement agreement were more or less than the health care costs incurred. In our audit for 2001, we reviewed three extensive research projects conducted by experts. We limited our analysis to Medicaid costs incurred in fiscal years 1998 through 2001. We did not consider Medicaid costs from past years prior to 1998. In addition, we did not consider other costs incurred by the state, such as employee health care costs attributable to smoking. These three research projects showed that Medicaid costs attributable to smoking were higher than the amount the state received from the tobacco companies under the settlement agreement. As a result, in our 2001 report we concluded it was proper for the OA-BP to exclude the amounts received from the tobacco companies as a recovery cost.

A study, "Tobacco Damages to the State of Missouri" by Glenn W. Harrison, was commissioned by the Missouri Attorney General's Office for use in a lawsuit against tobacco companies filed May 12, 1997. This lawsuit was dropped because Missouri joined a consortium of states in December 1998, in the Master Settlement Agreement with the tobacco companies. As a result, the Harrison study was not fully completed. However, the draft report provided an estimate of Medicaid costs attributable to smoking for 1970 through 2007 and an estimate of state employee health care costs attributable to smoking for 1970 through 1997. This study estimates that state costs attributable to smoking were higher than the amount the state received. OA officials could not locate any current studies but believe continued exclusion is reasonable.



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Review of Article X, Sections 16 Through 24,  
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Federal Reimbursement  
Allowance and Nursing Facility  
Reimbursement Allowance

The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.

Local use tax

The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local governments is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.

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## Compliance

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 2011, 2010, 2009, 2008, and 2007. The results of our review determined that for the year ended June 30, 2011, TSR was approximately \$4.0 billion under the refund threshold. As a result, no refund is due for the year ended June 30, 2011.

Article X, Section 18(e), Missouri Constitution, imposes an additional revenue limit, which states the general assembly shall not increase taxes or fees in any fiscal year without voter approval that in total produce new annual revenues greater than \$50 million adjusted annually by the percentage change in the personal income of Missouri for the second previous year, or 1 percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. For fiscal year 2011, the OA-BP calculated these limits at \$103.4 million for the Missouri Personal Income amount and \$87.2 million for the 1 percent of total state revenues amount.

For fiscal year 2011, the OA-BP has determined that as a result of legislative actions net taxes and fees decreased by a total of \$98.1 million. As a result, it appears the state complied with Article X, Section 18(e).

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# Review of Article X, Sections 16 Through 24, Constitution of Missouri Appendix

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## **Article X, Sections 16 through 24, Constitution of Missouri (Adopted November 4, 1980, Amended April 2, 1996\*)**

### **TAXATION**

**Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized.** Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

**Section 17. Definitions.** As used in sections 16 through 24 of Article X:

- (1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.
- (2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.
- (3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

**Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.**

- (a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or



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the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

**(e). Voter approval required for taxes or fees, when, exceptions--compliance procedure.**

1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase



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Review of Article X, Sections 16 Through 24,  
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shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after May 2, 1996, that increase the rate of an existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

**Section 19. Limits may be exceeded, when, how.** The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

**Section 20. Limitation on state expenses.** No expenses of state government shall be incurred in any fiscal year which exceed the sum of the



Review of Article X, Sections 16 Through 24,  
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revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

**Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding.** The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

**Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.**

(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

**Section 23. Taxpayers may bring actions for interpretations of limitations.** Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivision shall have standing to bring suit in a circuit court of proper venue and





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additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

**Section 24. Voter approval requirements not exclusive--self-enforceability.**

(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

\* The 1996 amendment added Section 18(e).



Thomas A. Schweich  
Missouri State Auditor

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# NATURAL RESOURCES

## Division of State Parks



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March 2012  
Report No. 2012-24

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Department of Natural Resources, Division of State Parks

Oversight of Park Operations	<p>The Department of Natural Resources, Division of State Parks (DSP), needs to improve its procedures for monitoring state park operations, including revenue collections and concessionaire operations. Neither the department's Internal Audit Program nor division officials have performed recent audits or on-site monitoring of the top revenue generating state parks. In the last 3 years, the Internal Audit program had audited only 17 of the 85 state parks or historical sites (20%), and most of these were of smaller sites. Two of the largest revenue generating parks, Bennett Spring State Park and Onondaga Cave State Park, have not been audited in at least 10 years and 5 years, respectively. The DSP does not require its concessionaires to comply with contractual requirements to submit monthly cash register tapes to support reported revenues, and the one-page forms concessionaires do submit contained errors and unsupported deductions which the DSP did not adequately investigate. The DSP does not always conduct biannual audits of concessionaires as required by state law.</p>
Cash Controls	<p>The DSP needs to improve its monitoring of cash handling, imprest fund, and deposit procedures. Prior to 2011, the DSP had not recently reviewed and approved cash handling procedures established by state parks as required by DSP policy. Some parks did not maintain the appropriate balance of imprest funds (to pay incidental expenses and to refund fees paid by the public). Proper controls over imprest funds are necessary to prevent theft or misappropriation of public funds. At one of the five parks we visited, deposits were not made timely, the cash register tape was not printed and reconciled to monies in the register, and employees were not cross-trained on deposit procedures to allow deposits to occur properly when the responsible staff person is on leave.</p>
Capital Asset Records	<p>The DSP does not maintain complete records of capital assets or adequately ensure non-land assets are accounted for properly. The DSP does not perform physical inventories of capital assets on an annual basis. In fact, before the March 2011 inventory, the most recent inventory was conducted in 2007. Our review found some asset records were incomplete and in need of revisions and adjustments.</p>
Procurement Card Monitoring	<p>The DSP list of procurement cards assigned to employees and credit limits is incomplete and includes hand-written names of some cardholders. Some employees may possess a procurement card without a valid need for one, and some cards may be assigned a higher credit limit than necessary.</p>

Policies and Procedures Manual	The DSP policies and procedures manual has not been updated in a timely manner. Major revisions were last made in 2006, with partial revisions made in 2008. The manual does not reflect some significant changes to state park operations and does not contain the current version of some forms.
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In the areas audited, the overall performance of this entity was **Fair.\***

American Recovery and Reinvestment Act (Federal Stimulus)	The Department of Natural Resources, Division of State Parks did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Department of Natural Resources

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Sara Parker-Pauley, Director  
Department of Natural Resources  
and  
Bill Bryan, Director  
Division of State Parks  
Jefferson City, Missouri

We have audited certain operations of the Department of Natural Resources, Division of State Parks in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2010, and 2009. The objectives of our audit were to:

1. Evaluate the division's internal controls over significant management and financial functions.
2. Evaluate the division's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the division as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Natural Resources, Division of State Parks.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kelly Davis, M.Acct., CPA, CFE
Audit Staff:	Travis Owens, MBA, CFE
	James M. Applegate, MBA
	Kimberly Shepard
	Jennifer Weggenmann, MBA

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# Department of Natural Resources

## Division of State Parks

### Management Advisory Report - State Auditor's Findings

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#### **1. Oversight of Park Operations**

The Department of Natural Resources (DNR), Division of State Parks (DSP) procedures for monitoring state park operations, including revenue collections and concessionaire operations, need improvement. The DSP is responsible for 85 state parks and historical sites which collect approximately \$9 million annually. In addition, the DSP administers the expenditure of the state parks sales tax of approximately \$38 million annually. Overall parks and division operations are handled at the DNR state office; however, individual park officials are responsible for cash collections and most purchases for their parks.

The DSP contracts with 16 companies to provide concessions within 18 state parks, including food service and lodging. The DSP receives a percentage of concessionaire gross receipts or a fixed fee. The percentage varies based on the contract and type of service provided. Concessionaires receive a credit for some utilities or other paid expenses. The DSP received approximately \$1.7 million from concessionaires in fiscal year 2011.

##### **1.1 Park operations monitoring**

Neither the department's Internal Audit Program nor division officials have performed recent audits or on-site monitoring of the top revenue generating state parks. The Internal Audit Program has audited only 17 of the 85 state parks and historic sites in the last 3 years, and most audits were of smaller parks or state historic sites. These 17 parks and historic sites generated only 16 percent of fiscal year 2010 park revenues. The largest revenue generating park, Bennett Spring State Park, has not been audited in at least 10 years, and Onondaga Cave State Park, which operates its own store and collects significant amounts of cash, has not been audited in at least 5 years. DSP officials stated they have not conducted on-site reviews at any state parks since the Internal Audit Program began performing audits and surprise cash counts in 2008, and have not adopted any standard on-site park monitoring procedures.

Department officials said limited staffing and numerous audit responsibilities contributed to the reduced number of audits and on-site monitoring of state park operations. Currently, three full-time and one part-time internal audit staff are responsible for auditing operations of the entire department.

Without periodic audits and fiscal monitoring, the DSP has less assurance parks are complying with division policies and procedures and collecting revenues appropriately. The decentralized structure of division operations coupled with the lack of adequate fiscal monitoring increases the risk errors or misuse of funds could go undetected and may have contributed to cash handling and capital asset internal control deficiencies identified during the audit.

##### **1.2 Concessionaire monitoring**

The DSP did not enforce requirements for concessionaires to submit documentation to support reported revenues, or develop alternative





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procedures to periodically review this information on-site. In addition, the DNR does not audit concessionaires biannually as required by state law.

The contracts between concessionaires and the DNR require concessionaires to submit monthly cash register tapes to support reported revenues; however, the DSP does not enforce this requirement. Instead, concessionaires only complete a monthly one-page form reporting revenues earned in various categories such as food service or lodging, along with applicable deductions to support the payments submitted.

Our review of concessionaire revenue report submissions identified errors that were not previously noted by the DSP and deductions made by concessionaires that were not supported. One concessionaire made an extra payment to the DSP each month from 2006 until 2011. While the additional payments were insignificant, the DSP did not question why these additional payments occurred. In addition, two concessionaires made deductions for utilities or interest payments, however, the DSP did not request documentation to verify the appropriateness of the deductions.

In addition, the DSP does not always conduct biannual audits of concessionaires as required by state law. Only 3 of the 16 concessionaires have been audited in the last 2 years. While close-out audits of concessionaires have been performed as required, DSP officials stated current staffing and funding levels do not allow them to meet the biannual audit requirement. Section 253.080.6, RSMo, and concessionaire contracts require concessionaire receipts and disbursements to be audited biannually and at the end of each contract.

Without periodic reviews and audits of concessionaires, the DSP has less assurance payments received from concessionaires are accurate. Enforcement of contract provisions and periodic audits are necessary to ensure concessionaires report revenues and expenditures appropriately.

## Recommendations

The DSP:

- 1.1 Work with the Internal Audit Program to develop procedures to ensure parks with high dollar cash collections or high risk activities are periodically reviewed or audited.
- 1.2 Develop and implement procedures to monitor and verify concessionaire revenues and expenditures, and work with the Internal Audit Program to ensure concessionaires are audited in accordance with state law.



## Auditee's Response

1.1 *The division agrees with the finding and notes the division's assets are protected and managed according to generally accepted accounting practices. The division prepares a monthly reconciliation of all revenues collected for each facility and completes a cross check with monthly sales reports, reviews pricing guidelines and physical inventory counts. Any inventory discrepancies or loss of revenue are fully investigated and resolved. The division will continue to work with the Internal Audit Program to develop a scope of work for the monitoring of state parks and historic sites, to complete park monitoring procedures, and develop a risk assessment to identify the parks/historic sites which pose the greatest risk.*

1.2 *The division agrees with the finding. The division strives to ensure all funds are correctly reported and collected (supported by no lost concession revenues reported). The division annually completes a review of each long-term concession operation tax return and profit and loss statement. In addition, the division will continue to work with the Internal Audit Program to develop a scope of work for the monitoring of revenues and expenditures from the concessionaires that are required to submit the information. Staff from State Parks and the Division of Administrative Support has worked together to update the scope of work for concession audits and has developed a plan to bring all statutorily-required concession audits up-to-date by the end of the current calendar year.*

*One audit has been scheduled to begin in April and an additional four audit work plans are being reviewed. The Division of State Parks will continue to work with the Internal Audit Program and our contract auditors to ensure compliance with statutory requirements is attained.*

## 2. Cash Controls

DSP monitoring of cash handling, imprest fund, and deposit procedures need improvement.

### 2.1 Cash handling policies and procedures

Prior to 2011, the DSP had not recently reviewed and approved cash handling procedures established by state parks as required by DSP policy. Officials at the five state parks we visited indicated the DSP did not ask for a copy of its cash handling policies until the DSP implemented the Camp Reservation System effective January 1, 2011. DSP officials indicated they requested the policies in 2009, but received a limited response. The implementation of the reservation system necessitated revisions to cash handling and depositing functions of most parks. Prior to this request, DNR Internal Audit findings at eight parks and historic sites indicated cash handling policies did not exist or were outdated.



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Each park is required to develop written cash handling procedures which comply with DSP cash handling policy directives, including segregation of duties, cash collection and processing, deposit procedures, and revenue reports. Periodic review and approval of the policies is necessary to ensure each park has sufficient controls in place to prevent theft or misappropriation of funds. The lack of written procedures at each park and DSP lack of monitoring appears to have contributed to the subsequent concerns noted at some of the state parks.

## 2.2 Imprest funds

Some parks did not maintain the appropriate balance of imprest funds. State law allows parks to maintain imprest funds to pay incidental expenses and to refund fees paid by the public. The DNR approves the amount of imprest funds, not to exceed \$1,500, to be maintained as a combination of change funds and a checking account at each park.

For three of five parks we visited, the reconciled balance of the imprest fund differed from the established amount. While the differences at each park were less than \$100, applicable park officials indicated they were unsure how to correct the differences. DSP policy states improper or unauthorized cash expenditures will not be replenished by the state and replenishment will be the responsibility of the imprest fund custodian; however, this policy does not appear to address the holding of excess funds which cannot be identified.

Section 253.082, RSMo, authorizes state parks and historic sites to maintain an imprest fund not to exceed \$1,500 in an amount to be specified by the department director. Proper controls over imprest funds are necessary to prevent theft or misappropriation of public funds. To ensure compliance with state law and DSP policy, imprest funds should be maintained at the established amount, and overages or shortages should be promptly investigated and resolved.

## 2.3 Deposit procedures

Cash handling and deposit procedures at one of the five parks we visited needed significant improvement. Concerns were noted regarding untimely deposits and cash drawer closure, and lack of cross-training staff on deposit procedures.

Our review of transactions for one month noted deposits were not always timely or in accordance with DSP procedures. For example, one deposit was made on April 30, 2011, for \$1,660 and included sales from the previous 12 days. In addition, we noted the cash register at the gift shop is not always closed out (i.e. register tape printed and reconciled to monies in the register) at the end of each shift, as required by the park's cash handling procedures.

During our visit, the staff person generally responsible for deposits was on temporary leave. Based on our discussions with park officials, it appears the this employee is the only employee familiar with the deposit function of the



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park's accounting system. When this employee is not on duty, it appears park receipts accumulate and are not deposited timely.

DSP policy requires deposits be made at least once per week unless total receipts on hand are less than \$50, or daily when receipts exceed \$500. To adequately account for collections and reduce the risk of loss or misuse of funds, deposits should be made and cash registers closed on a timely basis. In addition, cross-training of employees is necessary to ensure deposits are made timely when applicable employees are absent.

## Recommendations

The DSP:

- 2.1 Periodically review and approve each park's cash handling policies and procedures.
- 2.2 Ensure imprest funds are maintained at the established amount and overages or shortages are investigated and resolved.
- 2.3 Ensure deposits are made and cash registers are closed timely in accordance with established policies, and require cross-training of employees to ensure deposits are made timely when applicable park staff are absent.

## Auditee's Response

- 2.1 *The division agrees the cash handling policies and procedures should be reviewed periodically. The division will review all cash handling procedures from each state park or historic site handling revenues and provide feedback to the facilities. When new procedures are implemented, the division will request updated cash handling procedures from each facility and will review and provide feedback.*
- 2.2 *The division agrees the imprest funds should be maintained at the established amounts. Annually, the Division of Administrative Support requests all imprest funds be reimbursed to their established amounts by the end of each fiscal year. In addition, all parks/historic sites are requested to report their imprest fund balances after June 30, but prior to July 15, so these amounts can be included in the state CAFR. In the future, State Parks staff will be instructed to contact the Financial and Information Management Program when issues arise with the imprest funds. The Imprest Fund Manager will investigate and resolve issues that are reported.*
- 2.3 *The division agrees deposits should be made in accordance with established policies and cash registers should be closed out daily if the facility processed sales for the day. Many facilities have a small staff or are limited on the staff available for cross-training of employees. The division makes every effort to ensure the staff is adequately trained for deposit of revenues. The effort to train staff*



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*is evident as no loss of revenues is reported. The division is currently working on the re-bid of the campground reservation system which will encompass all revenues for state parks and historic sites and should modernize division wide practices and procedures.*

### 3. Capital Asset Records

The DSP does not maintain complete records of capital assets or adequately perform periodic inventories and reconciliations to ensure non-land assets are accounted for properly. DSP records indicate capital assets, excluding land and land improvements, totaled over \$42 million as of June 30, 2011.

The DSP does not perform physical inventories of capital assets on an annual basis. While an inventory of capital assets was conducted in March 2011, the previous inventory was conducted in 2007.

Our review of 2011 inventory records for the five parks visited noted extensive revisions and adjustments were necessary to correct DSP capital asset records. In addition, officials from the five parks stated many of the revisions requested in 2011 had also been requested in 2007. For example, 18 of 22 adjustments requested in 2011 by one park were also requested in 2007.

In addition, our review at the five state parks and the DSP central warehouse noted 4 of 20 (20 percent) assets selected were not included on the capital asset records. One of these items was purchased in 2008 but was not included on lists of adjustments submitted to the DSP. In addition, one item on the asset records could not be located because it was sold in 2009 and the records had not been updated.

DSP staff indicated they previously had one employee dedicated to reviewing and updating capital asset records. When that person's position was eliminated, her duties were assigned to another staff person also responsible for expenditure approval. DSP personnel indicated the increased workload resulted in delays with capital asset recordkeeping.

Annual physical inventories and accurate capital asset records are necessary to detect the loss, theft, or misuse of assets.

### Recommendation

The DSP ensure capital asset transactions are recorded in a timely manner and capital assets records are complete and accurate. In addition, annual physical inventories of capital assets should be conducted and reconciled to the capital asset records.



## Auditee's Response

*The division agrees an annual inventory should be conducted and fixed asset records should be complete and accurate. Prior to 2008, inventories were completed annually and in the future the division will ensure annual inventories are completed. The division works with the Division of Administrative Support to ensure appropriate documentation is received to support removal of assets. The Division of State Parks and the Division of Administrative Support will continue to work toward having all fixed asset records correct in SAM II.*

## 4. Procurement Card Monitoring

The DSP does not utilize a complete and up-to-date listing of procurement cards assigned to employees. The division has approximately 170 cards assigned to various employees at the state program and park levels with credit limits ranging from \$500 to \$65,000. Division procurement card purchases totaled \$658,500 during the year ended June 30, 2011.

The DSP listing of procurement cards and credit limits is incomplete and includes hand-written names of some cardholders. We compared the DSP listing to a listing provided by the state Office of Administration prepared from the card issuer's records. Our review noted some cardholders were not included on the DSP listing, and credit limits and single transaction limits differed between the two reports.

DSP officials indicated they rely on the Division of Administrative Services (DAS) to monitor credit card assignments and maintain up-to-date records; however, DSP does not regularly access the DAS list or use the DAS listing while approving expenditures. While the DAS maintains up-to-date records, they are not directly involved with the operations of the DSP and are not responsible for approving procurement card expenditures.

By not ensuring its list of procurement cards and the employees responsible for each card is complete and accurate, the DSP may be allowing some employees without a valid need to possess a card. In addition, cards may be assigned a higher credit limit than necessary, which increases the potential for program abuses to occur before management identifies the problem and can intervene.

## Recommendation

The DSP work with the DAS to obtain complete and accurate listings of all procurement cards and the employees who possess them, including accurate credit limit data. These listings should be periodically reviewed to ensure only employees who need cards possess them and that credit limits are appropriate.

## Auditee's Response

*The division agrees with the finding. The DSP will obtain complete purchasing card lists from the United Missouri Bank purchasing card system on a regular basis. The DAS will assist the DSP to ensure changes are made in a timely manner and the listing is accurate and up to date. The division currently completes an annual review of the card limits and will*



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*continue this procedure to ensure employees needing the purchasing card have access and have the appropriate limits.*

## 5. Policies and Procedures Manual

The DSP policies and procedures manual has not been updated in a timely manner. The manual, referred to as the Survival Handbook, includes DSP personnel and leave policies, park sales and rental procedures, and park cash handling procedures. The most recent major revisions to the manual were made in 2006 and partial revisions were made in 2008.

Some changes made to significant state park operations, including changes to revenue collections, are not reflected in the current policy manual. In addition, forms utilized by some parks and district offices for fuel and expenditure reporting differ from those included in the policy manual. While the DSP communicates policy and procedure changes to staff through memos and trainings, these communications have not been compiled to update the policy and procedures manual.

A clear and up-to-date policy and procedures manual as well as enforcement of policies is necessary to ensure compliance and adequate control of division operations.

## Recommendation

The DSP update the policies and procedures manual on a periodic basis.

## Auditee's Response

*The division is currently updating the manual. It should be noted that staff is immediately notified of any changes in policy or procedures and if necessary, training is provided. The division is approximately half way through updating the manual and upon completion; it will be placed on the department's intranet for easy access. This will also make future updates more efficient and will allow staff to access the most current processes.*

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# Department of Natural Resources

## Division of State Parks

### Organization and Statistical Information

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Missouri state parks and historic sites are administered by the Division of State Parks, which is a division of the Missouri Department of Natural Resources. Its main responsibilities are the administration of the Missouri state park system and coordination of statewide programs in the areas of outdoor recreation and trails.

Missouri's state park system contains 85 state parks and historic sites plus the Roger Pryor Pioneer Backcountry. The system offers 1,845 structures, 3,720 campsites, 323 lodging units, almost 2,000 picnic sites, and 1,024 miles of trail. Approximately 17 million people visit the system annually. The system is managed by approximately 550 full-time and up to 1,000 seasonal employees.

The primary source of funding for the state park system is half of the one-tenth-of-one-percent parks, soils and water dedicated sales tax. Additional funding comes from revenues generated in the state park system, donations, and loss recoveries. The park, soils and water tax was created through a constitutional amendment and earmarked specifically for the state park system and efforts to stop soil erosion. The tax was first approved by voters in 1984, and has since been reapproved by voters in 1988, 1996 and 2006. The sales tax renewal will be voted on again in 2016.

The current Division of State Parks Director is Bill Bryan. The division includes the Director's Office, Financial and Information Resources Management Unit, Facility and Visitor Services Program, Resource Management and Interpretation Program, State Park Ranger Program, and Planning and Development Program. There are five district offices statewide to assist in the operation and coordination of state parks and historic sites.

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Department of Natural Resources, Division of State Parks did not receive any federal stimulus monies during the 3 years ended June 30, 2011.



Appendix A-1

Department of Natural Resources - Division of State Parks  
 Combined Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments  
 Year Ended June 30, 2011

	State Parks Earnings Fund	Parks Sales Tax Fund	Meramec-Onondaga State Parks Fund	Babler State Park Fund	Historic Preservation Revolving Fund	Total (Memorandum Only)
<b>RECEIPTS</b>						
Parks sales and use tax	\$ 0	38,326,978	0	0	0	38,326,978
Recreational licenses and permits	5,558,435	0	0	133,867	0	5,692,302
Rentals and leases	2,134,974	0	0	2,043	0	2,137,017
Sale of products	762,035	0	0	2,806	0	764,841
Cost recovery	966,761	63,135	0	0	198	1,030,094
Interagency billings	967,133	150,736	0	0	0	1,117,869
Agency collected sales tax	137,702	0	0	0	0	137,702
Federal grants	12,760	14,232	0	0	0	26,992
Interest	0	56,183	9,223	5,156	18,354	88,916
Transfers in	7,352	18,230	0	0	0	25,582
Donations	109,338	0	0	25	0	109,363
Miscellaneous	67,302	13,467	0	0	20,000	100,769
Total Receipts	10,723,792	38,642,961	9,223	143,897	38,552	49,558,425
<b>DISBURSEMENTS</b>						
Personal service	4,776,151	13,231,756	0	41,639	156,874	18,206,420
Employee fringe benefits	2,215,983	5,870,235	0	24,327	75,077	8,185,622
Operations	3,392,705	9,876,887	0	62,000	260,698	13,592,290
Capital improvements and acquisitions	3,059,876	391,780	0	0	0	3,451,656
Total Disbursements	13,444,715	29,370,658	0	127,966	492,649	43,435,988
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES</b>						
	(2,720,923)	9,272,303	9,223	15,931	(454,097)	6,122,437
<b>OTHER FINANCING USES</b>						
Appropriations exercised by other state agencies						
OA-Worker's compensation	10,986	292,096	0	0	0	303,082
OA-Legal and other expense	0	21,885	0	0	0	21,885
OA-Unemployment insurance	13,403	214,708	0	0	0	228,111
OA-Cost allocation plan	154,415	0	116	213	55,212	209,956
Office of the State Auditor	0	21,496	0	0	0	21,496
Department of Revenue	0	247,772	0	0	0	247,772
Total Other Financing Uses	178,804	797,957	116	213	55,212	1,032,302
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>						
	(2,899,727)	8,474,346	9,107	15,718	(509,309)	5,090,135
CASH AND INVESTMENTS, JULY 1	32,476,096	5,702,357	1,258,174	732,272	2,211,560	42,380,459
CASH AND INVESTMENTS, JUNE 30	\$ 29,576,369*	14,176,703	1,267,281	747,990	1,702,251	47,470,594

\* At June 30, 2011, \$27,954,622 was obligated for park improvements according to the Taum Sauk Project Upper Reservoir settlement.

Appendix A-2

Department of Natural Resources - Division of State Parks  
Combined Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments  
Year Ended June 30, 2010

	State Parks Earnings Fund	Parks Sales Tax Fund	Meramec-Onondaga State Parks Fund	Babler State Park Fund	Historic Preservation Revolving Fund	Total (Memorandum Only)
<b>RECEIPTS</b>						
Parks sales and use tax	\$ 0	37,541,193	0	0	0	37,541,193
Recreational licenses and permits	5,022,932	0	0	130,627	0	5,153,559
Rentals and leases	2,141,120	0	0	2,854	0	2,143,974
Sale of products	628,152	0	0	886	0	629,038
Cost recovery	552,257	55,260	0	0	105	607,622
Interagency billings	215,775	71,412	0	0	0	287,187
Agency collected sales tax	167,225	0	0	34	0	167,259
Federal grants	9,060	29,699	0	0	5,000	43,759
Interest	0	57,431	16,446	9,507	38,542	121,926
Transfers in	57,708	54,169	814	264	738,413	851,368
Donations	96,768	0	0	0	0	96,768
Miscellaneous	28,248	18,206	0	0	0	46,454
Total Receipts	8,919,245	37,827,370	17,260	144,172	782,060	47,690,107
<b>DISBURSEMENTS</b>						
Personal service	1,530,516	17,435,671	0	52,557	161,689	19,180,433
Employee fringe benefits	667,891	8,048,004	0	30,367	75,490	8,821,752
Operations	2,783,876	10,249,860	1,457	62,200	857,145	13,954,538
Capital improvements and acquisitions	1,943,784	902,880	0	0	0	2,846,664
Total Disbursements	6,926,067	36,636,415	1,457	145,124	1,094,324	44,803,387
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES</b>						
	1,993,178	1,190,955	15,803	(952)	(312,264)	2,886,720
<b>OTHER FINANCING USES</b>						
Appropriations exercised by other state agencies						
OA - Worker's compensation	69,721	375,971	0	13,779	0	459,471
OA - Legal and other expense	0	124,492	0	0	0	124,492
OA - Unemployment insurance	27,465	256,674	0	0	0	284,139
OA - Cost allocation plan	78,672	0	264	1,690	48,724	129,350
Office of the State Auditor	0	21,496	0	0	0	21,496
Department of Revenue	0	254,942	0	0	0	254,942
Total Other Financing Uses	175,858	1,033,575	264	15,469	48,724	1,273,890
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>						
	1,817,320	157,380	15,539	(16,421)	(360,988)	1,612,830
CASH AND INVESTMENTS, JULY 1	30,658,776	5,544,977	1,242,635	748,693	2,572,548	40,767,629
CASH AND INVESTMENTS, JUNE 30	\$ 32,476,096*	5,702,357	1,258,174	732,272	2,211,560	42,380,459

\* At June 30, 2010, \$29,528,460 was obligated for park improvements according to the Taum Sauk Project Upper Reservoir settlement.

Appendix A-3

Department of Natural Resources - Division of State Parks  
 Combined Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments  
 Year Ended June 30, 2009

	State Parks Earnings Fund	Parks Sales Tax Fund	Meramec-Onondaga State Parks Fund	Babler State Park Fund	Historic Preservation Revolving Fund	Total (Memorandum Only)
<b>RECEIPTS</b>						
Parks sales and use tax	\$ 0	38,627,585	0	0	0	38,627,585
Recreational licenses and permits	4,893,371	0	0	120,279	0	5,013,650
Rentals and leases	657,398	0	0	6,946	0	664,344
Sale of products	2,222,621	0	0	0	0	2,222,621
Cost recovery	368,402	1,147	0	0	0	369,549
Interagency billings	316,652	403,037	0	0	0	719,689
Agency collected sales tax	185,712	0	0	0	0	185,712
Federal grants	0	0	0	0	0	0
Interest	0	116,792	32,204	18,594	73,828	241,418
Transfers in	15,019	31,245	0	0	873,000	919,264
Donations	58,116	0	0	0	0	58,116
Miscellaneous	21,602	95,776	0	0	3	117,381
Total Receipts	8,738,893	39,275,582	32,204	145,819	946,831	49,139,329
<b>DISBURSEMENTS</b>						
Personal service	5,730,106	15,655,613	0	35,536	169,552	21,590,807
Employee fringe benefits	2,220,447	6,426,827	0	17,790	71,486	8,736,550
Operations	4,049,612	13,703,929	2,285	59,440	390,965	18,206,231
Capital improvements and acquisitions	1,915,963	1,725,884	0	0	0	3,641,847
Total Disbursements	13,916,128	37,512,253	2,285	112,766	632,003	52,175,435
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES</b>						
	(5,177,235)	1,763,329	29,919	33,053	314,828	(3,036,106)
<b>OTHER FINANCING USES</b>						
Appropriations exercised by other state agencies						
OA - Worker's compensation	38,443	548,113	0	0	0	586,556
OA - Legal and other expense	0	141,713	0	0	0	141,713
OA - Unemployment insurance	13,202	109,442	0	0	0	122,644
OA - Cost allocation plan	70,527	0	256	1,741	56,831	129,355
Office of the State Auditor	0	21,496	0	0	0	21,496
Department of Revenue	0	271,769	0	0	0	271,769
Total Other Financing Uses	122,172	1,092,533	256	1,741	56,831	1,273,533
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>						
	(5,299,407)	670,796	29,663	31,312	257,997	(4,309,639)
CASH AND INVESTMENTS, JULY 1	35,958,183	4,874,181	1,212,972	717,381	2,314,551	45,077,268
CASH AND INVESTMENTS, JUNE 30	\$ 30,658,776*	5,544,977	1,242,635	748,693	2,572,548	40,767,629

\* At June 30, 2009, \$30,987,825 was obligated for park improvements according to the Taum Sauk Project Upper Reservoir settlement.

Appendix B

Department of Natural Resources - Division of State Parks  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2011			2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
STATE PARKS EARNINGS FUND									
Maintenance and Repair Natural Resources Statewide	\$ 266,385	39,879	226,506	482,508	216,123	266,385 *	515,527	515,527	0
State Parks Capital Improvements	51,537	0	51,537	173,259	121,722	51,537 *	55,194	55,194	0
State Parks Exhibits	30,216	17,041	13,175	92,750	62,534	30,216 *	272,595	272,595	0
State Parks Land	1,644	1,550	94	1,819	175	1,644 *	27,473	27,472	1
State Parks Operations Personal Service	4,781,015	4,750,791	30,224	2,864,146	1,514,299	1,349,847	5,726,261	5,724,450	1,811
State Parks Operations Expense and Equipment	2,945,434	1,116,372	1,829,062	2,945,434	492,746	2,452,688	3,220,434	1,581,271	1,639,163
Parks Resale	590,000	585,216	4,784	630,000	600,679	29,321	610,000	590,338	19,662
Parks Concessions Default	200,000	52,823	147,177	200,000	27,338	172,662	200,000	46,022	153,978
Department Operations Expense and Equipment	0	0	0	81,030	54,346	26,684	81,030	51,593	29,437
Department Operations-Contract Audits Expense and Equipment	30,000	2,833	27,167	30,000	7,452	22,548	33,763	23,479	10,284
Sales Tax General Revenue Reimbursement	200,000	162,458	37,542	200,000	181,879	18,121	230,800	185,919	44,881
Gifts To Parks	82,390	81,378	1,012	447,911	272,798	175,113	676,139	50,539	625,600
State Parks Grants	175,000	15,682	159,318	175,000	4,179	170,821	175,000	7,382	167,618
Refund Accounts	31,095	23,870	7,225	203,000	198,704	4,296	31,095	30,164	931
Pahetsi Development	350,000	300	349,700	350,000	0	350,000 *	0	0	0
Bates County Acquisition	0	0	0	0	0	0	140,000	110,722	29,278
Land Purchases	547,782	411,755	136,027	1,513,911	77,884	1,436,027 *	425,089	425,088	1
Maintenance and Repair Parks & Campground	380,551	76,633	303,918	1,159,013	105,049	1,053,964 *	140,987	140,986	1
Natural Resources Roads Parking Trails Maintenance and Repair	182,506	68,460	114,046	1,232,381	303,602	928,779 *	232,369	232,369	0
Natural Resources Spending Authority	3,275,295	2,859,611	415,684	9,217,400	1,406,654	7,810,746 *	763,068	763,067	1
Natural Resources State Parks Exhibits	699,643	0	699,643	700,000	357	699,643 *	0	0	0
Natural Resources General Construction	700,599	4,639	695,960	1,448,922	31,596	1,417,326 *	206,078	206,077	1
Unemployment Benefits	21,354	13,403	7,951	27,466	27,465	1	21,354	13,202	8,152
Various Lewis and Clark Projects	0	0	0	0	0	0	372,714	0	372,714
Natural Resources Water Waste Improvements	749	748	1	2,000,000	0	2,000,000 *	0	0	0
Improvements State Parks	0	0	0	1,400,000	0	1,400,000 *	0	0	0
Interpretive Exhibits State Parks	63,098	63,097	1	700,000	0	700,000 *	0	0	0
Total State Parks Earnings Fund	15,606,293	10,348,539	5,257,754	28,275,950	5,707,581	22,568,369	14,156,970	11,053,456	3,103,514

Appendix B

Department of Natural Resources - Division of State Parks  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2011			2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>PARKS SALES TAX FUND</b>									
State Auditor Personal Service	21,496	21,496	0	21,496	21,496	0	21,496	21,496	0
State Parks Operations Expense and Equipment	8,212,215	5,625,954	2,586,261	8,560,259	4,869,258	3,691,001	8,578,692	7,060,637	1,518,055
Maintenance and Repair Natural Resources Statewide	2,318,781	19,865	2,298,916	2,594,359	275,578	2,318,781 *	987,413	987,412	1
State Parks Capital Improvements	684,119	0	684,119	730,762	46,643	684,119 *	33,557	33,556	1
Levy District Payments	6,113	6,113	0	5,147	5,147	0	5,647	5,646	1
State Parks Operations Personal Service	15,063,439	13,210,260	1,853,179	19,379,181	17,414,175	1,965,006	16,335,630	15,634,118	701,512
Payment In Lieu Of Taxes	25,875	12,414	13,461	25,875	2,103	23,772	25,875	800	25,075
Refund Accounts	2,165	0	2,165	2,165	0	2,165	2,165	2	2,163
Natural Resources Statewide Maintenance and Repair	512,892	0	512,892	566,562	53,670	512,892 *	835,891	835,891	0
Natural Resources Water Waste Improvements	1,326,280	12,240	1,314,040	2,958,764	132,484	2,826,280 *	0	0	0
Natural Resources Unprogrammed	1,240,769	409,073	831,696	1,779,846	539,077	1,240,769 *	482,229	482,228	1
Unemployment Benefits	214,710	214,708	2	256,675	256,674	1	162,419	109,442	52,977
Natural Resources Sesquicentennial	1,226,000	0	1,226,000	1,226,000	0	1,226,000 *	0	0	0
Projects State and Historic Properties	118,242	118,241	1	1,450,000	0	1,450,000 *	0	0	0
Catastrophic Projects	101,845	101,845	0	800,000	0	800,000 *	0	0	0
Various Lewis and Clark Projects	0	0	0	0	0	0	102,564	0	102,564
Bennett Camp Renovation	0	0	0	0	0	0	33	0	33
Statewide Renovations	0	0	0	0	0	0	216,489	9,650	206,839
Bruce R Watkins Center	100,000	100,000	0	100,000	100,000	0	100,000	100,000	0
Total Parks Sales Tax Fund	31,174,941	19,852,209	11,322,732	40,457,091	23,716,305	16,740,786	27,890,100	25,280,878	2,609,222
<b>MERAMEC-ONONDAGA STATE PARKS FUND</b>									
State Parks Operations Expense and Equipment	5,600	0	5,600	5,600	0	5,600	5,600	655	4,945
Total Meramec-Onondaga State Parks Fund	5,600	0	5,600	5,600	0	5,600	5,600	655	4,945
<b>BABLER STATE PARK FUND</b>									
State Parks Operations Personal Service	62,925	41,639	21,286	58,905	52,557	6,348	58,905	35,536	23,369
State Parks Operations Expense and Equipment	106,579	62,000	44,579	106,579	62,000	44,579	106,579	59,000	47,579
Refund Accounts	417	0	417	417	200	217	467	440	27
Total Babler State Park Fund	169,921	103,639	66,282	165,901	114,757	51,144	165,951	94,976	70,975
<b>HISTORIC PRESERVATION REVOLVING FUND</b>									
Historic Preservation Grants	1,707,243	246,582	1,460,661	1,707,243	841,566	865,677	1,768,743	370,143	1,398,600
Historic Preservation Personal Service	209,516	156,874	52,642	224,816	161,689	63,127	212,395	169,552	42,843
Historic Preservation Expense and Equipment	34,169	14,116	20,053	34,169	15,579	18,590	34,169	20,822	13,347
Historic Properties	1,000,000	0	1,000,000	1,000,000	0	1,000,000 *	1,000,000	0	1,000,000
Refund Accounts	165	0	165	165	0	165	165	0	165
Total Historic Preservation Revolving Fund	2,951,093	417,572	2,533,521	2,966,393	1,018,834	1,947,559	3,015,472	560,517	2,454,955
Total All Funds	\$ 49,907,848	30,721,959	19,185,889	71,870,935	30,557,477	41,313,458	45,234,093	36,990,482	8,243,611

## Appendix B

### Department of Natural Resources - Division of State Parks Comparative Statement of Appropriations and Expenditures

\*Biennial appropriations set up in fiscal year 2010 are re-appropriations to fiscal year 2011. After the fiscal year-end processing has been completed, the unexpended fiscal year 2010 appropriation balance for a biennial appropriation is established in fiscal year 2011. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2010.

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,		
	2011	2010	2009
State Parks Earnings Fund			
State Parks Exhibits	\$ 4,000	0	0
Land Purchases	0	1,300,000	0
Natural Resources Roads Parking Trails			
Maintenance and Repairs	0	780,000	0
Natural Resources Water Waste			
Improvements	0	2,000,000	0
Improvements State Parks	0	1,400,000	0
Interpretive Exhibits State Parks	0	700,000	0
Parks Sales Tax Fund			
Natural Resources Water Waste			
Improvements	0	1,500,000	0
Natural Resources Sesquicentennial		1,226,000	
Projects State and Historic Properties	0	1,450,000	0
Catastrophic Projects	0	800,000	0
Historic Preservation Revolving Fund			
Historic Properties	0	1,000,000	0
Total All Funds	\$ 4,000	12,156,000	0

Appendix C

Department of Natural Resources - Division of State Parks  
Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Salaries and wages	\$ 18,206,421	19,180,435	21,590,808	20,808,149	19,926,096
Travel, in-state	656,212	335,861	1,353,451	1,433,759	1,395,954
Travel, out-of-state	5,798	5,869	33,429	29,188	23,648
Fuel and utilities	1,552,420	1,432,834	1,535,928	1,475,468	1,371,798
Supplies	3,267,317	2,703,341	4,176,143	4,304,156	4,033,500
Professional development	56,607	57,562	110,230	141,306	88,575
Communication service and supplies	271,882	307,890	278,455	386,534	384,754
Services:					
Professional services	977,633	856,297	1,168,351	1,051,592	1,378,561
Housekeeping and janitorial	262,416	299,265	309,468	334,395	302,680
Maintenance and repair	562,267	449,896	624,294	728,396	656,706
Equipment:					
Computer	0	0	0	197,548	291,690
Motorized	169,461	13,739	232,255	262,410	279,904
Office	35,579	104,651	47,712	107,372	136,899
Other	301,614	197,229	809,964	1,013,610	1,014,573
Property and improvements	3,451,657	2,846,664	3,641,847	1,471,553	2,950,821
Building lease payments	10,453	26,918	40,757	299,565	301,921
Equipment rental and leases	72,039	61,823	105,893	101,482	125,471
Miscellaneous expenses	263,620	252,595	308,103	346,227	326,615
Refunds	23,870	198,904	30,606	22,997	29,782
Program distributions	574,693	1,225,704	592,788	377,148	278,384
Total Expenditures	\$ <u>30,721,959</u>	<u>30,557,477</u>	<u>36,990,482</u>	<u>34,892,855</u>	<u>35,298,332</u>



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Putnam County, Missouri

The Office of the State Auditor, in cooperation with Putnam County, has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2010, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Kevin G. Hudson, Certified Public Accountant, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

March 2012  
Report No. 2012-23



**PUTNAM COUNTY, MISSOURI  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2010**

**Putnam County, Missouri**  
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## **Independent Auditors' Report**

To the County Commission of  
Putnam County, Missouri  
Unionville, Missouri

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam County, Missouri, as of and for the years ended December 31, 2010 and 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed more fully in Note 1, the County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2010 and 2009, and the respective changes in financial position-cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

## **Independent Auditors' Report (Concluded)**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 1, 2012, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information, budgetary comparison information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.  
Trenton, Missouri  
March 1, 2012

**Putnam County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

The discussion and analysis of Putnam County's financial performance provides an overall review of the County's financial activities for the years ended December 31, 2010 and 2009. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, including the notes to the financial statements, to enhance their understanding of the County's financial performance.

**Financial Highlights**

Key financial highlights for 2010 and 2009 are as follows:

- The county's total governmental revenues exceeded total expenditures by \$63,773 for the year ended December 31, 2010. The total governmental revenues exceeded governmental expenses by \$78,112 for the year ended December 31, 2009.
- The county's governmental funds ended the year ended December 31, 2010 with a combined cash balance of \$1,071,440 and the year ended December 31, 2009 of \$1,007,667.
- County revenues for the year ended December 31, 2010 of \$2,188,461 decreased by \$17,545 over the county revenues for the year ended December 31, 2009 of \$2,206,006.
- County expenditures for the year ended December 31, 2010 of \$2,124,688 decreased by \$3,206 over the county expenditures for the year ended December 31, 2009 of \$2,127,894.

**Overview of the Financial Statements**

The contents of this report comply with the presentation requirements of Statement No.34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

**Putnam County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities - activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities-activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-27 of this report.

**Putnam County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

Other Information

This report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedules for all governmental, special revenue funds and capital projects funds - cash basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Government-wide Financial Analysis**

Below is a chart showing assets, receipts and disbursements for the years ended December 31, 2010 and 2009.

	<u>Year Ended December 31,</u> <u>2010</u>	<u>2009</u>
Net Assets	\$ 1,071,440	\$ 1,007,667
Program Receipts	743,659	878,659
General Receipts	1,444,802	1,327,347
Disbursements	2,124,688	2,127,894
Change in Net Assets	63,773	78,112

For the two years disclosed in the audit, the change in Net Assets is primarily due to the General Fund. This fund had net assets of \$364,486 at the beginning of 2009 as compared to \$597,666 at the end of 2010. General receipts did not fluctuate much between 2010 and 2009. Disbursements decreased slightly between 2010 and 2009.

**Financial Analysis of the County's Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.



**Putnam County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

As of December 31, 2010, the county's governmental funds reported combined ending fund balances of \$1,071,440, an increase of \$63,773 over the prior years fund balance of \$1,007,667. The unreserved portion of fund balance was \$597,666 for 2010 and \$517,650 for the year ended 2009. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the County. At the end of the fiscal year 2010, unreserved fund balance of the General Fund was \$597,666 and the unreserved fund balance of the General Fund for fiscal year 2009 was \$517,650. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The unreserved fund balance of the General Fund increased by \$80,016 for fiscal year 2010 as compared to an increase of \$153,164 for fiscal year 2009.

**County Revenue Fund Budgeting Highlights**

The County's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the county's General Fund.

The original and final budgeted revenues for the general fund were \$1,005,926 for 2010 and \$985,573 for 2009. The original and final budgeted expenditures were \$1,080,389 for 2010 and \$1,062,758 for 2009.

The County did not make any budget amendments to various funds.

**Economic Factors and Next Year's Budgets**

The county sales taxes and property taxes have increased slightly in the past two years, which is a positive sign for revenue growth.

The County's General Fund has increased \$233,180 over the two year period that was audited. This is encouraging due to the current economic times. The increased costs for fuel, materials, equipment, utilities, and operating expenditures continues to be a source of concern as well as the general state of the economy.

**Putnam County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the County Clerk, Putnam County Courthouse, Unionville, Missouri 63585, (660) 947-2574.

## **GOVERNMENT WIDE FINANCIAL STATEMENTS**

**Putnam County, Missouri**  
**Government Wide Statement of Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,071,440
<b>Total Assets</b>	<u>\$ 1,071,440</u>
<b>NET ASSETS:</b>	
Restricted	\$ 473,774
Unrestricted	<u>597,666</u>
<b>Total Net Assets</b>	<u>\$ 1,071,440</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement

**Putnam County, Missouri**  
**Government Wide Statement of Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

	<b>Governmental <u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 1,007,667</u>
<b>Total Assets</b>	<u>\$ 1,007,667</u>
 <b>NET ASSETS:</b>	
Restricted	\$ 490,017
Unrestricted	<u>517,650</u>
<b>Total Net Assets</b>	<u>\$ 1,007,667</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement

**Putnam County, Missouri**  
**Government-Wide Statement of Activities**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	Governmental <u>Activities</u>
<b>Governmental Activities:</b>				
General County Government	\$ 873,115	\$ 203,431	\$ 13,242	\$ (656,442)
Roads and Bridges	664,022	-	384,611	(279,411)
Law Enforcement	249,721	10,014	-	(239,707)
911 Emergency	229,300	27,400	-	(201,900)
Assessment	108,530	570	104,391	(3,569)
<b>Total Governmental Activities</b>	<u>\$ 2,124,688</u>	<u>\$ 241,415</u>	<u>\$ 502,244</u>	<u>\$ (1,381,029)</u>
<b>Total Putnam County</b>	<u>\$ 2,124,688</u>	<u>\$ 241,415</u>	<u>\$ 502,244</u>	<u>\$ (1,381,029)</u>
<b>General Revenues:</b>				
Property Taxes				350,182
Sales Taxes				758,990
Interest				19,473
Other				316,157
<b>Total General Revenues</b>				<u>1,444,802</u>
Change in Net Assets				63,773
<b>Net Assets - Beginning</b>				<u>1,007,667</u>
<b>Net Assets - Ending</b>				<u>\$ 1,071,440</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Putnam County, Missouri**  
**Government-Wide Statement of Activities**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General County Government	\$ 842,447	\$ 195,101	\$ 30,667	\$ (616,679)
Roads and Bridges	724,182	-	524,676	(199,506)
Law Enforcement	236,979	6,684	-	(230,295)
911 Emergency	233,126	28,550	-	(204,576)
Assessment	91,160	368	92,613	1,821
<b>Total Governmental Activities</b>	<u>\$ 2,127,894</u>	<u>\$ 230,703</u>	<u>\$ 647,956</u>	<u>\$ (1,249,235)</u>
<b>Total Putnam County</b>	<u>\$ 2,127,894</u>	<u>\$ 230,703</u>	<u>\$ 647,956</u>	<u>\$ (1,249,235)</u>
<b>General Revenues:</b>				
Property Taxes				344,297
Sales Taxes				750,008
Interest				17,870
Other				215,172
Transfers				-
<b>Total General Revenues</b>				<u>1,327,347</u>
Change in Net Assets				78,112
<b>Net Assets - Beginning</b>				<u>929,555</u>
<b>Net Assets - Ending</b>				<u>\$ 1,007,667</u>

The accompanying notes to the financial statements are an integral part of this financial statement

## **FUND FINANCIAL STATEMENTS**



**Putnam County, Missouri**  
**Balance Sheet - Cash Basis**  
**Governmental Fund**  
**For the Year Ended December 31, 2010**

	General Fund	Special Road & Bridge Fund	Law Enforcement Fund	911 Fund	Assessment Fund	Other Governmental Funds	2010 Total Government Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 597,666	\$ 242,429	\$ 4,575	\$ 77,341	\$ 33,344	\$ 116,085	\$ 1,071,440
<b>TOTAL ASSETS</b>	<u>\$ 597,666</u>	<u>\$ 242,429</u>	<u>\$ 4,575</u>	<u>\$ 77,341</u>	<u>\$ 33,344</u>	<u>\$ 116,085</u>	<u>\$ 1,071,440</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>FUND BALANCES</b>							
Unreserved, Reported in:							
General Fund	\$ 597,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597,666
Special Revenue Funds	-	242,429	4,575	77,341	33,344	-	357,689
Nonmajor Funds	-	-	-	-	-	116,085	116,085
<b>TOTAL FUND BALANCES</b>	<u>\$ 597,666</u>	<u>\$ 242,429</u>	<u>\$ 4,575</u>	<u>\$ 77,341</u>	<u>\$ 33,344</u>	<u>\$ 116,085</u>	<u>\$ 1,071,440</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Putnam County, Missouri**  
**Balance Sheet - Cash Basis**  
**Governmental Fund**  
**For the Year Ended December 31, 2009**

	General Fund	Special Road & Bridge Fund	Law Enforcement Fund	911 Fund	Assessment Fund	Other Governmental Funds	2009 Total Government Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 517,650	\$ 258,744	\$ 3,974	\$ 98,534	\$ 20,246	\$ 108,519	\$ 1,007,667
<b>TOTAL ASSETS</b>	<u>\$ 517,650</u>	<u>\$ 258,744</u>	<u>\$ 3,974</u>	<u>\$ 98,534</u>	<u>\$ 20,246</u>	<u>\$ 108,519</u>	<u>\$ 1,007,667</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>FUND BALANCES</b>							
Unreserved, Reported in:							
General Fund	\$ 517,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,650
Special Revenue Funds	-	258,744	3,974	98,534	20,246	-	381,498
Nonmajor Funds	-	-	-	-	-	108,519	108,519
<b>TOTAL FUND BALANCES</b>	<u>\$ 517,650</u>	<u>\$ 258,744</u>	<u>\$ 3,974</u>	<u>\$ 98,534</u>	<u>\$ 20,246</u>	<u>\$ 108,519</u>	<u>\$ 1,007,667</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Putnam County, Missouri**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2010**

	General Fund	Special Road & Bridge Fund	Law Enforcement Fund	911 Fund	Assessment Fund	Other Governmental Funds	2010 Total Government Funds
<b>REVENUES:</b>							
Taxes - Sales	\$ 347,836	\$ 63,317	\$ 173,920	\$ 173,917	\$ -	\$ -	\$ 758,990
Taxes - Property	276,414	40,053	-	-	-	33,715	350,182
Intergovernmental Revenues	13,242	384,611	-	-	104,391	-	502,244
Charges for Services	195,793	-	10,014	27,400	570	7,638	241,415
Interest Income	12,818	5,069	22	1,147	128	289	19,473
Other	95,785	154,657	36,366	5,643	240	23,466	316,157
<b>TOTAL REVENUES</b>	<u>941,888</u>	<u>647,707</u>	<u>220,322</u>	<u>208,107</u>	<u>105,329</u>	<u>65,108</u>	<u>2,188,461</u>
<b>EXPENDITURES:</b>							
General County Government	815,573	-	-	-	-	57,542	873,115
Roads and Bridges	-	664,022	-	-	-	-	664,022
Law Enforcement	-	-	249,721	-	-	-	249,721
911 Emergency	-	-	-	229,300	-	-	229,300
Assessment	-	-	-	-	108,530	-	108,530
<b>TOTAL EXPENDITURES</b>	<u>815,573</u>	<u>664,022</u>	<u>249,721</u>	<u>229,300</u>	<u>108,530</u>	<u>57,542</u>	<u>2,124,688</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>126,315</u>	<u>(16,315)</u>	<u>(29,399)</u>	<u>(21,193)</u>	<u>(3,201)</u>	<u>7,566</u>	<u>63,773</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer To/From Other Funds	(46,299)	-	30,000	-	16,299	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(46,299)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>16,299</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	80,016	(16,315)	601	(21,193)	13,098	7,566	63,773
<b>Fund Balance - Beginning of Year</b>	<u>517,650</u>	<u>258,744</u>	<u>3,974</u>	<u>98,534</u>	<u>20,246</u>	<u>108,519</u>	<u>1,007,667</u>
<b>Fund Balance - End of Year</b>	<u>\$ 597,666</u>	<u>\$ 242,429</u>	<u>\$ 4,575</u>	<u>\$ 77,341</u>	<u>\$ 33,344</u>	<u>\$ 116,085</u>	<u>\$ 1,071,440</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Putnam County, Missouri**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2009**

	General <u>Fund</u>	Special Road & Bridge <u>Fund</u>	Law Enforcement <u>Fund</u>	911 <u>Fund</u>	Assessment <u>Fund</u>	Other Governmental <u>Funds</u>	2009 Total Government <u>Funds</u>
<b>REVENUES:</b>							
Taxes - Sales	\$ 346,618	\$ 56,687	\$ 173,314	\$ 173,389	\$ -	\$ -	\$ 750,008
Taxes - Property	271,169	39,864	-	-	-	33,264	344,297
Intergovernmental Revenues	30,667	524,676	-	-	92,613	-	647,956
Charges for Services	190,380	-	6,684	28,550	368	4,721	230,703
Interest Income	7,776	5,904	59	3,116	120	895	17,870
Other	104,609	56,054	25,560	195	429	28,325	215,172
<b>TOTAL REVENUES</b>	<u>951,219</u>	<u>683,185</u>	<u>205,617</u>	<u>205,250</u>	<u>93,530</u>	<u>67,205</u>	<u>2,206,006</u>
<b>EXPENDITURES:</b>							
General County Government	788,055	-	-	-	-	54,392	842,447
Roads and Bridges	-	724,182	-	-	-	-	724,182
Law Enforcement	-	-	236,979	-	-	-	236,979
911 Emergency	-	-	-	233,126	-	-	233,126
Assessment	-	-	-	-	91,160	-	91,160
<b>TOTAL EXPENDITURES</b>	<u>788,055</u>	<u>724,182</u>	<u>236,979</u>	<u>233,126</u>	<u>91,160</u>	<u>54,392</u>	<u>2,127,894</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>163,164</u>	<u>(40,997)</u>	<u>(31,362)</u>	<u>(27,876)</u>	<u>2,370</u>	<u>12,813</u>	<u>78,112</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer To/From Other Funds	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	153,164	(40,997)	(21,362)	(27,876)	2,370	12,813	78,112
<b>Fund Balance - Beginning of Year</b>	<u>364,486</u>	<u>299,741</u>	<u>25,336</u>	<u>126,410</u>	<u>17,876</u>	<u>95,706</u>	<u>929,555</u>
<b>Fund Balance - End of Year</b>	<u>\$ 517,650</u>	<u>\$ 258,744</u>	<u>\$ 3,974</u>	<u>\$ 98,534</u>	<u>\$ 20,246</u>	<u>\$ 108,519</u>	<u>\$ 1,007,667</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Putnam County, Missouri**  
**Statement of Fiduciary Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

	<b>Governmental <u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,543,247
<b>Total Assets</b>	<u>\$ 3,543,247</u>
<b>NET ASSETS:</b>	
Restricted	\$ 3,543,247
Unrestricted	<u>-</u>
<b>Total Net Assets</b>	<u><u>\$ 3,543,247</u></u>

The accompanying notes to the financial statements  
 are an integral part of this financial statement

**Putnam County, Missouri**  
**Statement of Fiduciary Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

	<b>Governmental <u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,246,057
<b>Total Assets</b>	<u>\$ 3,246,057</u>
<b>NET ASSETS:</b>	
Restricted	\$ 3,246,057
Unrestricted	<u>-</u>
<b>Total Net Assets</b>	<u>\$ 3,246,057</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement

**Putnam County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies**

The financial statements of Putnam County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has adopted the reporting model as required by GASB Statement 34, for the presentation of information in the government-wide financial statements and the major fund statements. The more significant of the County's accounting policies are described below.

**A. Reporting Entity**

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's government board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the county has no component units.

**B. Basis of Presentation**

Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the primary government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. For the years ended December 31, 2010 and 2009, the county had only governmental activities.

**Putnam County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

**Fund Financial Statements**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and © any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into one category of funds - governmental. Governmental funds are those through which most governmental functions are typically financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

**General Fund** - The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue that are legally restricted to expenditure for specified purposes. The Special Road and Bridge Fund, Law Enforcement Fund, 911 Fund and Assessment Fund are all considered major Special Revenue Funds.

The county's nonmajor governmental funds are also special revenue funds.



**Putnam County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's Fund, CAP Fines Fund, Tax Surplus Fund, Hospital Fund, Unclaimed Fees Fund, Surtax Fund, County Withholding Fund, Assessor Technology Fund, CERF Fund, Protested Taxes Fund, Cemetery and Criminal Cost Fund. These funds are all included in the accompanying Statement of Fiduciary Net Assets.

**C. Basis of Accounting**

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

**D. Vacation, Personal and Sick Leave**

Vacation time, personal time is considered as expenditures in the year paid. Vacation time is given ½ a normal work day a month up to a total of six work days a year and must be used in its entirety prior to the employee's next anniversary date. The county does not have personal days, but comp time can be earned by working overtime.

**Putnam County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**E. Budgets and Budgetary Accounting**

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo 2000), the County adopts a budget for various County funds.
- 2) Prior to January 15, each department, office, institution, commission, or court of the County submits two budgets to the budget officer showing its requirements for expenditures and its estimated revenues for the next budget year. These figures are presented with corresponding figures for the last completed year and an estimate of the current year.
- 3) The budget officer holds public hearings prior to presentation of the budget document to the County Commission no later than January 15<sup>th</sup> of each year.
- 4) A public hearing is held not earlier than 10 days after the budget document is made available to the public and with at least 5 days notice of the hearing.
- 5) Amendments to the budget are made by the County Commission as required to allow for appropriation of increased revenues and adjustments between line items within the budget. A few budget amendments were made for 2010 and 2009. Please see budgetary comparison schedules in required supplementary information for further details.

The County's policy is to prepare the annual operating budget on a cash basis.

**F. Inventories and Capital Assets**

Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

**G. Long-Term Debt**

Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

**Putnam County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**H. New Accounting Pronouncements**

The County has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. No new statements needed to be adopted for the two years ending December 31, 2010.

**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**J. Reserved Fund Balance**

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose.

**K. Risk of Loss**

The County protects itself from risk of loss by purchasing commercial insurance for property damage and liability risks. The County does not self insure its risks.

**Note 2: Stewardship, Compliance and Accountability**

*Compliance with Finance Related Legal and Contractual Provisions*

The County incurred no material violations of finance related legal and contractual provisions.

*Excess of Expenditures Over Appropriations in Individual Funds*

For the year ended December 31, 2009, the County had an excess of expenditures over appropriations in the Senior Citizens Tax Fund, Sheriff Revolving Fund, Victims of Domestic Violence Fund. For the year ended December 31, 2010, the County had an excess of expenditures over appropriations in the Law Enforcement Fund, 911 Fund, K-9 Fund, Law Enforcement Restitution Fund, Law Enforcement Training Fund and Deputy Sheriff Supplemental Salary Fund.

**Putnam County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 2: Stewardship, Compliance and Accountability (Concluded)**

*Net Assets/Fund Balance Deficit*

For year ended December 31, 2010, the County budgeted a deficit fund balance of \$50 in the Victims of Domestic Violence Fund.

**Note 3: Cash and Investments**

Deposits - At December 31, 2010 and 2009, the carrying amount of the County's deposits was \$326,440 and \$362,667 respectively. The bank balance for the year ended December 31, 2010 and 2009 was \$428,797 and \$440,635 respectively. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law. County policy further requires that all securities that serve as collateral against the deposits of a depository institution must be held in safekeeping at a non-affiliated custodial facility. Of the bank balance, \$250,000 was covered by federal depository insurance and \$178,797 was covered by collateral held by the County's safekeeping agent in the County's name at December 31, 2010 and \$190,635 for the year ended December 31, 2009.

The County's Collector's deposits at December 31, 2010 and 2009, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance, by collateral securities held by the county or custodial bank in the county's name.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits

Investments - The county may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. As of December 31, 2010 and 2009 the County had \$675,000 and \$575,000 respectively invested in overnight repurchase agreements. At December 31, 2010 and 2009 the County's 911 Fund had \$70,000 invested in a certificate of deposit.

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no formal investment policy regarding interest rate risk.

**Putnam County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 3: Cash and Investments (Concluded)**

**Investment Credit Risk** - The County has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

**Concentration of Credit Risk** - The County places no limit on the amount it may invest in any one issuer. For the two years ended December 31, 2010, the County had no concentration of credit risk.

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2009, as follows:

Deposits	\$ 362,667
Investments	<u>645,000</u>
Total Deposits and Investments	<u><u>\$ 1,007,667</u></u>

As of December 31, 2009, the County's investments were as follows:

<u>Fund</u>	<u>Type</u>	<u>Amount</u>
County Revenue Fund	Repurchase Agreement	\$ 420,000
Special Road & Bridge Fund	Repurchase Agreement	155,000
911 Fund	Certificate of Deposit	<u>70,000</u>
	<b>Total Investments</b>	<u><u>\$ 645,000</u></u>

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2010, as follows:

Deposits	\$ 326,440
Investments	<u>745,000</u>
Total Deposits and Investments	<u><u>\$ 1,071,440</u></u>

As of December 31, 2010, the County's investments were as follows:

<u>Fund</u>	<u>Type</u>	<u>Amount</u>
County Revenue Fund	Repurchase Agreement	\$ 520,000
Special Road & Bridge Fund	Repurchase Agreement	155,000
911 Fund	Certificate of Deposit	<u>70,000</u>
	<b>Total Investments</b>	<u><u>\$ 745,000</u></u>

**Putnam County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 4: Taxes**

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on November 1<sup>st</sup> and payable by December 31<sup>st</sup> of each year. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). The assessed valuation of the tangible taxable property for the calendar years 2010 and 2009 for purposes of County taxation was as follows:

	<u>2010</u>	<u>2009</u>
Real Estate	\$ 53,229,925	\$ 52,282,586
Personal Property	15,189,000	15,621,130
Railroad and Utilities	<u>3,009,610</u>	<u>3,154,118</u>
Total	<u>\$ 71,428,535</u>	<u>\$ 71,057,834</u>

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2010 and 2009 for purposes of County taxation was:

	<u>2010</u>	<u>2009</u>
General Revenue Fund	\$ .4763	\$ .4763
Senior Citizens Tax Fund	<u>\$ .0477</u>	<u>\$ .0477</u>
Total	<u>\$ .5240</u>	<u>\$ .5240</u>

**Note 5: County Employees' Retirement Fund (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

**A. Plan Description**

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

**Putnam County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 5: County Employees' Retirement Fund (CERF) (Concluded)**

**B. Pension Benefits**

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit by calculating using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for vested employees.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, 2121 Shothill Woods Drive, Jefferson City, Missouri 65102-2271, or by calling 1-573-632-9203.

**C. Funding Policy**

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2010 and 2009, the County collected and remitted to CERF, employee contributions of approximately \$49,426 and \$47,637 respectively, for the years then ended.

**Note 6: Commitments and Contingencies**

The county is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

**Putnam County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 7: Prior Period Adjustments**

In the prior year, the County was required to include the Circuit Clerk Interest Fund, the Law Library Fund and the Division II Interest Fund in the County's financial statements. For the two years ended December 31, 2010, the County is no longer required to include these funds in the financial statements. The omission of these funds caused the beginning fund balance to be adjusted by \$5,978. In the prior year the County reported the Deputy Sheriff Supplemental Salary Fund as an Agency Fund. For the two years ended December 31, 2010 the county has elected to report this fund as a Governmental Fund, this change caused the beginning fund balance to be adjusted by \$250.

**Note 8: Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**General Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ 348,000	\$ 348,000	\$ 347,836	\$ (164)	\$ 380,000	\$ 380,000	\$ 346,618	\$ (33,382)
Taxes - Property	290,000	290,000	276,414	(13,586)	255,000	255,000	271,169	16,169
Intergovernmental Revenues	31,500	31,500	13,242	(18,258)	50,000	50,000	30,667	(19,333)
Charges for Services	197,750	197,750	195,793	(1,957)	190,786	190,786	190,380	(406)
Interest Income	7,800	7,800	12,818	5,018	11,000	11,000	7,776	(3,224)
Other	<u>130,876</u>	<u>130,876</u>	<u>95,785</u>	<u>(35,091)</u>	<u>98,787</u>	<u>98,787</u>	<u>104,609</u>	<u>5,822</u>
<b>Total Revenue</b>	<u>1,005,926</u>	<u>1,005,926</u>	<u>941,888</u>	<u>(64,038)</u>	<u>985,573</u>	<u>985,573</u>	<u>951,219</u>	<u>(34,354)</u>
<b>Expenditures:</b>								
County Commission	76,838	76,838	76,229	609	73,068	73,068	71,090	1,978
County Clerk	83,326	83,326	83,908	(582)	81,255	81,255	80,167	1,088
Elections	54,413	54,413	55,703	(1,290)	14,390	14,390	17,533	(3,143)
Buildings and Grounds	90,511	90,511	63,912	26,599	118,905	118,905	79,134	39,771
Employee Fringe Benefits	19,203	19,203	19,523	(320)	22,588	22,588	22,626	(38)
County Treasurer	95,467	95,467	93,213	2,254	103,300	103,300	85,226	18,074
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	60,075	60,075	49,186	10,889	55,150	55,150	45,691	9,459
Circuit Clerk	22,950	22,950	9,970	12,980	18,950	18,950	5,912	13,038
Associate Circuit Clerk	-	-	-	-	6,885	6,885	5,606	1,279
Associate Circuit Clerk Probate	1,109	1,109	179	930	1,109	1,109	89	1,020
Court Administration	6,232	6,232	2,677	3,555	3,913	3,913	2,552	1,361
Public Administrator	19,531	19,531	19,408	123	19,300	19,300	17,989	1,311
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	90,915	90,915	85,461	5,454	87,075	87,075	80,169	6,906
Juvenile Officer	21,304	21,304	6,801	14,503	21,304	21,304	8,198	13,106
County Coroner	11,225	11,225	8,914	2,311	10,875	10,875	10,383	492
Emergency Fund	32,727	32,727	-	32,727	26,567	26,567	-	26,567
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>394,563</u>	<u>394,563</u>	<u>240,489</u>	<u>154,074</u>	<u>398,124</u>	<u>398,124</u>	<u>255,690</u>	<u>142,434</u>
<b>Total Expenditures</b>	<u>1,080,389</u>	<u>1,080,389</u>	<u>815,573</u>	<u>264,816</u>	<u>1,062,758</u>	<u>1,062,758</u>	<u>788,055</u>	<u>274,703</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(74,463)</u>	<u>(74,463)</u>	<u>126,315</u>	<u>200,778</u>	<u>(77,185)</u>	<u>(77,185)</u>	<u>163,164</u>	<u>240,349</u>
<b>Fund Balance - Beginning of Year</b>	517,650	517,650	517,650	-	364,486	364,486	364,486	-
Transfers In	85,000	85,000	-	(85,000)	90,000	90,000	-	(90,000)
Transfers Out	<u>-</u>	<u>-</u>	<u>(46,299)</u>	<u>(46,299)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
<b>Fund Balance - End of Year</b>	<u>\$ 528,187</u>	<u>\$ 528,187</u>	<u>\$ 597,666</u>	<u>\$ 69,479</u>	<u>\$ 377,301</u>	<u>\$ 377,301</u>	<u>\$ 517,650</u>	<u>\$ 140,349</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Special Road and Bridge Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 20
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ 65,000	\$ 65,000	\$ 63,317	\$ (1,683)	\$ 70,000	\$ 70,000	\$ 56,687	\$ (13,313)
Taxes - Property	40,000	40,000	40,053	53	41,000	41,000	39,864	(1,136)
Intergovernmental Revenues	893,500	893,500	384,611	(508,889)	1,024,255	1,024,255	524,676	(499,579)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	6,000	6,000	5,069	(931)	14,000	14,000	5,904	(8,096)
Other	<u>61,000</u>	<u>61,000</u>	<u>154,657</u>	<u>93,657</u>	<u>76,000</u>	<u>76,000</u>	<u>56,054</u>	<u>(19,946)</u>
<b>Total Revenue</b>	<u>1,065,500</u>	<u>1,065,500</u>	<u>647,707</u>	<u>(417,793)</u>	<u>1,225,255</u>	<u>1,225,255</u>	<u>683,185</u>	<u>(542,070)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	1,064,041	1,064,041	664,022	400,019	1,225,227	1,225,227	724,182	501,045
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,064,041</u>	<u>1,064,041</u>	<u>664,022</u>	<u>400,019</u>	<u>1,225,227</u>	<u>1,225,227</u>	<u>724,182</u>	<u>501,045</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,459</u>	<u>1,459</u>	<u>(16,315)</u>	<u>(17,774)</u>	<u>28</u>	<u>28</u>	<u>(40,997)</u>	<u>(41,025)</u>
<b>Fund Balance - Beginning of Year</b>	258,744	258,744	258,744	-	299,741	299,741	299,741	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 260,203</u>	<u>\$ 260,203</u>	<u>\$ 242,429</u>	<u>\$ (17,774)</u>	<u>\$ 299,769</u>	<u>\$ 299,769</u>	<u>\$ 258,744</u>	<u>\$ (41,025)</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Assessment Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	98,137	98,137	104,391	6,254	80,208	80,208	92,613	12,405
Charges for Services	-	-	570	570	-	-	368	368
Interest Income	-	-	128	128	-	-	120	120
Other	<u>1,200</u>	<u>1,200</u>	<u>240</u>	<u>(960)</u>	<u>3,500</u>	<u>3,500</u>	<u>429</u>	<u>(3,071)</u>
<b>Total Revenue</b>	<u>99,337</u>	<u>99,337</u>	<u>105,329</u>	<u>5,992</u>	<u>83,708</u>	<u>83,708</u>	<u>93,530</u>	<u>9,822</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	115,412	115,412	108,530	6,882	93,660	93,660	91,160	2,500
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>115,412</u>	<u>115,412</u>	<u>108,530</u>	<u>6,882</u>	<u>93,660</u>	<u>93,660</u>	<u>91,160</u>	<u>2,500</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(16,075)</u>	<u>(16,075)</u>	<u>(3,201)</u>	<u>12,874</u>	<u>(9,952)</u>	<u>(9,952)</u>	<u>2,370</u>	<u>12,322</u>
<b>Fund Balance - Beginning of Year</b>	20,246	20,246	20,246	-	17,876	17,876	17,876	-
Transfers In	16,299	16,299	16,299	-	10,000	10,000	-	10,000
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 20,470</u>	<u>\$ 20,470</u>	<u>\$ 33,344</u>	<u>\$ 12,874</u>	<u>\$ 17,924</u>	<u>\$ 17,924</u>	<u>\$ 20,246</u>	<u>\$ 2,322</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Law Enforcement Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ 176,000	\$ 176,000	\$ 173,920	\$ (2,080)	\$ 190,000	\$ 190,000	\$ 173,314	\$(16,686)
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	6,500	6,500	10,014	3,514	12,000	12,000	6,684	(5,316)
Interest Income	60	60	22	(38)	300	300	59	(241)
Other	<u>29,300</u>	<u>29,300</u>	<u>36,366</u>	<u>7,066</u>	<u>40,500</u>	<u>40,500</u>	<u>25,560</u>	<u>(14,940)</u>
<b>Total Revenue</b>	<u>211,860</u>	<u>211,860</u>	<u>220,322</u>	<u>8,462</u>	<u>242,800</u>	<u>242,800</u>	<u>205,617</u>	<u>(37,183)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	211,856	211,856	249,721	(37,865)	240,563	240,563	236,979	3,584
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>211,856</u>	<u>211,856</u>	<u>249,721</u>	<u>(37,865)</u>	<u>240,563</u>	<u>240,563</u>	<u>236,979</u>	<u>3,584</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>4</u>	<u>4</u>	<u>(29,399)</u>	<u>(29,403)</u>	<u>2,237</u>	<u>2,237</u>	<u>(31,362)</u>	<u>(33,599)</u>
<b>Fund Balance - Beginning of Year</b>	3,974	3,974	3,974	-	25,336	25,336	25,336	-
Transfers In	-	-	30,000	30,000	-	-	10,000	(10,000)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3,978</u>	<u>\$ 3,978</u>	<u>\$ 4,575</u>	<u>\$ 597</u>	<u>\$ 27,573</u>	<u>\$ 27,573</u>	<u>\$ 3,974</u>	<u>\$(23,599)</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**K-9 Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	810	810	-	-	-	-
Interest Income	10	10	7	(3)	100	100	470	370
Other	<u>400</u>	<u>400</u>	<u>-</u>	<u>(400)</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
<b>Total Revenue</b>	<u>410</u>	<u>410</u>	<u>817</u>	<u>407</u>	<u>600</u>	<u>600</u>	<u>470</u>	<u>(130)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>240</u>	<u>240</u>	<u>872</u>	<u>(632)</u>	<u>500</u>	<u>500</u>	<u>224</u>	<u>276</u>
<b>Total Expenditures</b>	<u>240</u>	<u>240</u>	<u>872</u>	<u>(632)</u>	<u>500</u>	<u>500</u>	<u>224</u>	<u>276</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>170</u>	<u>170</u>	<u>(55)</u>	<u>(225)</u>	<u>100</u>	<u>100</u>	<u>246</u>	<u>146</u>
<b>Fund Balance - Beginning of Year</b>	2,879	2,879	2,879	-	2,633	2,633	2,633	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3,049</u>	<u>\$ 3,049</u>	<u>\$ 2,824</u>	<u>\$ (225)</u>	<u>\$ 2,733</u>	<u>\$ 2,733</u>	<u>\$ 2,879</u>	<u>\$ 146</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**LLEBG Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	9,000	9,000	-	(9,000)	9,000	9,000	-	(9,000)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>(9,000)</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>(9,000)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	9,000	9,000	-	9,000	9,000	9,000	-	9,000
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Juvenile Restitution Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	9	9	6	(3)	55	55	9	(46)
Other	<u>2,377</u>	<u>2,377</u>	<u>20</u>	<u>(2,357)</u>	<u>50</u>	<u>50</u>	<u>10</u>	<u>(40)</u>
<b>Total Revenue</b>	<u>2,386</u>	<u>2,386</u>	<u>26</u>	<u>(2,360)</u>	<u>105</u>	<u>105</u>	<u>19</u>	<u>(86)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,386</u>	<u>2,386</u>	<u>26</u>	<u>(2,360)</u>	<u>105</u>	<u>105</u>	<u>19</u>	<u>(86)</u>
<b>Fund Balance - Beginning of Year</b>	2,377	2,377	2,377	-	2,358	2,358	2,358	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 4,763</u>	<u>\$ 4,763</u>	<u>\$ 2,403</u>	<u>\$ (2,360)</u>	<u>\$ 2,463</u>	<u>\$ 2,463</u>	<u>\$ 2,377</u>	<u>\$ (86)</u>

The accompanying notes to financial statements are an integral part of this statement



**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**LEPC Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	30	30	18	(12)	350	350	34	(316)
Other	<u>1,900</u>	<u>1,900</u>	<u>27</u>	<u>(1,873)</u>	<u>3,578</u>	<u>3,578</u>	<u>2,305</u>	<u>(1,273)</u>
<b>Total Revenue</b>	<u>1,930</u>	<u>1,930</u>	<u>45</u>	<u>(1,885)</u>	<u>3,928</u>	<u>3,928</u>	<u>2,339</u>	<u>(1,589)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>1,969</u>	<u>1,969</u>	<u>1,169</u>	<u>800</u>	<u>3,920</u>	<u>3,920</u>	<u>2,811</u>	<u>1,109</u>
<b>Total Expenditures</b>	<u>1,969</u>	<u>1,969</u>	<u>1,169</u>	<u>800</u>	<u>3,920</u>	<u>3,920</u>	<u>2,811</u>	<u>1,109</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(39)</u>	<u>(39)</u>	<u>(1,124)</u>	<u>(1,085)</u>	<u>8</u>	<u>8</u>	<u>(472)</u>	<u>(480)</u>
<b>Fund Balance - Beginning of Year</b>	8,314	8,314	8,314	-	8,786	8,786	8,786	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 8,275</u>	<u>\$ 8,275</u>	<u>\$ 7,190</u>	<u>\$ (1,085)</u>	<u>\$ 8,794</u>	<u>\$ 8,794</u>	<u>\$ 8,314</u>	<u>\$ (480)</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Election Services Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	7	7	4	(3)	25	25	4	(21)
Other	<u>580</u>	<u>580</u>	<u>-</u>	<u>(580)</u>	<u>600</u>	<u>600</u>	<u>1,007</u>	<u>407</u>
<b>Total Revenue</b>	<u>587</u>	<u>587</u>	<u>4</u>	<u>(583)</u>	<u>625</u>	<u>625</u>	<u>1,011</u>	<u>386</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	1,500	1,500	-	1,500	300	300	-	300
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>300</u>	<u>300</u>	<u>-</u>	<u>300</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(913)</u>	<u>(913)</u>	<u>4</u>	<u>917</u>	<u>325</u>	<u>325</u>	<u>1,011</u>	<u>686</u>
<b>Fund Balance - Beginning of Year</b>	1,725	1,725	1,725	-	714	714	714	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 812</u>	<u>\$ 812</u>	<u>\$ 1,729</u>	<u>\$ 917</u>	<u>\$ 1,039</u>	<u>\$ 1,039</u>	<u>\$ 1,725</u>	<u>\$ 686</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Tax Maintenance Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	125	125	47	(78)	300	300	64	(236)
Other	<u>8,800</u>	<u>8,800</u>	<u>9,985</u>	<u>1,185</u>	<u>8,000</u>	<u>8,000</u>	<u>8,834</u>	<u>834</u>
<b>Total Revenue</b>	<u>8,925</u>	<u>8,925</u>	<u>10,032</u>	<u>1,107</u>	<u>8,300</u>	<u>8,300</u>	<u>8,898</u>	<u>598</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>8,925</u>	<u>8,925</u>	<u>8,241</u>	<u>684</u>	<u>7,300</u>	<u>7,300</u>	<u>3,807</u>	<u>3,493</u>
<b>Total Expenditures</b>	<u>8,925</u>	<u>8,925</u>	<u>8,241</u>	<u>684</u>	<u>7,300</u>	<u>7,300</u>	<u>3,807</u>	<u>3,493</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>1,791</u>	<u>1,791</u>	<u>1,000</u>	<u>1,000</u>	<u>5,091</u>	<u>4,091</u>
<b>Fund Balance - Beginning of Year</b>	17,270	17,270	17,270	-	12,179	12,179	12,179	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 17,270</u>	<u>\$ 17,270</u>	<u>\$ 19,061</u>	<u>\$ 1,791</u>	<u>\$ 13,179</u>	<u>\$ 13,179</u>	<u>\$ 17,270</u>	<u>\$ 4,091</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Senior Citizens Tax Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	30,000	30,000	33,715	3,715	32,000	32,000	33,264	1,264
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	80	80	48	(32)	450	450	71	(379)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<u>30,080</u>	<u>30,080</u>	<u>33,763</u>	<u>3,683</u>	<u>32,450</u>	<u>32,450</u>	<u>33,335</u>	<u>885</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>32,310</u>	<u>32,310</u>	<u>27,491</u>	<u>4,819</u>	<u>32,450</u>	<u>32,450</u>	<u>33,621</u>	<u>(1,171)</u>
<b>Total Expenditures</b>	<u>32,310</u>	<u>32,310</u>	<u>27,491</u>	<u>4,819</u>	<u>32,450</u>	<u>32,450</u>	<u>33,621</u>	<u>(1,171)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,230)</u>	<u>(2,230)</u>	<u>6,272</u>	<u>8,502</u>	<u>-</u>	<u>-</u>	<u>(286)</u>	<u>(286)</u>
<b>Fund Balance - Beginning of Year</b>	7,159	7,159	7,159	-	7,445	7,445	7,445	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 4,929</u>	<u>\$ 4,929</u>	<u>\$ 13,431</u>	<u>\$ 8,502</u>	<u>\$ 7,445</u>	<u>\$ 7,445</u>	<u>\$ 7,159</u>	<u>\$ (286)</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff Revolving Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	2	2	30	30	8	(22)
Other	<u>2,000</u>	<u>2,000</u>	<u>1,415</u>	<u>(585)</u>	<u>1,000</u>	<u>1,000</u>	<u>2,496</u>	<u>1,496</u>
<b>Total Revenue</b>	<u>2,000</u>	<u>2,000</u>	<u>1,417</u>	<u>(583)</u>	<u>1,030</u>	<u>1,030</u>	<u>2,504</u>	<u>1,474</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	3,846	(3,846)	3,580	3,580	3,925	(345)
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>4,100</u>	<u>4,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>4,100</u>	<u>4,100</u>	<u>3,846</u>	<u>254</u>	<u>3,580</u>	<u>3,580</u>	<u>3,925</u>	<u>(345)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,100)</u>	<u>(2,100)</u>	<u>(2,429)</u>	<u>(329)</u>	<u>(2,550)</u>	<u>(2,550)</u>	<u>(1,421)</u>	<u>1,129</u>
<b>Fund Balance - Beginning of Year</b>	3,065	3,065	3,065	-	4,486	4,486	4,486	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 965</u>	<u>\$ 965</u>	<u>\$ 636</u>	<u>\$ (329)</u>	<u>\$ 1,936</u>	<u>\$ 1,936</u>	<u>\$ 3,065</u>	<u>\$ 1,129</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Help America Vote Act Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Law Enforcement Restitution**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	2,500	2,500	3,616	1,116	3,000	3,000	2,690	(310)
Interest Income	-	-	21	21	125	125	32	(93)
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>2,500</u>	<u>2,500</u>	<u>3,637</u>	<u>1,137</u>	<u>3,125</u>	<u>3,125</u>	<u>2,722</u>	<u>(403)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	3,900	3,900	5,779	(1,879)	4,800	4,800	-	4,800
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>3,900</u>	<u>3,900</u>	<u>5,779</u>	<u>(1,879)</u>	<u>4,800</u>	<u>4,800</u>	<u>-</u>	<u>4,800</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,400)</u>	<u>(1,400)</u>	<u>(2,142)</u>	<u>(742)</u>	<u>(1,675)</u>	<u>(1,675)</u>	<u>2,722</u>	<u>4,397</u>
<b>Fund Balance - Beginning of Year</b>	10,037	10,037	10,037	-	7,315	7,315	7,315	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 8,637</u>	<u>\$ 8,637</u>	<u>\$ 7,895</u>	<u>\$ (742)</u>	<u>\$ 5,640</u>	<u>\$ 5,640</u>	<u>\$ 10,037</u>	<u>\$ 4,397</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Law Enforcement Training Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	7	7	6	(1)	90	90	7	(83)
Other	<u>500</u>	<u>500</u>	<u>990</u>	<u>490</u>	<u>1,000</u>	<u>1,000</u>	<u>577</u>	<u>(423)</u>
<b>Total Revenue</b>	<u>507</u>	<u>507</u>	<u>996</u>	<u>489</u>	<u>1,090</u>	<u>1,090</u>	<u>584</u>	<u>(506)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	180	(180)	500	500	200	300
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>180</u>	<u>(180)</u>	<u>500</u>	<u>500</u>	<u>200</u>	<u>300</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>507</u>	<u>507</u>	<u>816</u>	<u>309</u>	<u>590</u>	<u>590</u>	<u>384</u>	<u>(206)</u>
<b>Fund Balance - Beginning of Year</b>	2,047	2,047	2,047	-	1,663	1,663	1,663	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,554</u>	<u>\$ 2,554</u>	<u>\$ 2,863</u>	<u>\$ 309</u>	<u>\$ 2,253</u>	<u>\$ 2,253</u>	<u>\$ 2,047</u>	<u>\$ (206)</u>

The accompanying notes to financial statements are an integral part of this statement



**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Training Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	10	10	5	(5)	50	50	7	(43)
Other	<u>150</u>	<u>150</u>	<u>248</u>	<u>98</u>	<u>250</u>	<u>250</u>	<u>147</u>	<u>(103)</u>
<b>Total Revenue</b>	<u>160</u>	<u>160</u>	<u>253</u>	<u>93</u>	<u>300</u>	<u>300</u>	<u>154</u>	<u>(146)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	200	200	-	200	300	300	-	300
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>300</u>	<u>300</u>	<u>-</u>	<u>300</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(40)</u>	<u>(40)</u>	<u>253</u>	<u>293</u>	<u>-</u>	<u>-</u>	<u>154</u>	<u>154</u>
<b>Fund Balance - Beginning of Year</b>	1,994	1,994	1,994	-	1,840	1,840	1,840	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,954</u>	<u>\$ 1,954</u>	<u>\$ 2,247</u>	<u>\$ 293</u>	<u>\$ 1,840</u>	<u>\$ 1,840</u>	<u>\$ 1,994</u>	<u>\$ 154</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Victims of Domestic Violence Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	10	10	-	(10)
Other	<u>200</u>	<u>200</u>	<u>170</u>	<u>(30)</u>	<u>300</u>	<u>300</u>	<u>185</u>	<u>(115)</u>
<b>Total Revenue</b>	<u>200</u>	<u>200</u>	<u>170</u>	<u>(30)</u>	<u>310</u>	<u>310</u>	<u>185</u>	<u>(125)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>250</u>	<u>250</u>	<u>145</u>	<u>105</u>	<u>300</u>	<u>300</u>	<u>361</u>	<u>(61)</u>
<b>Total Expenditures</b>	<u>250</u>	<u>250</u>	<u>145</u>	<u>105</u>	<u>300</u>	<u>300</u>	<u>361</u>	<u>(61)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(50)</u>	<u>(50)</u>	<u>25</u>	<u>75</u>	<u>10</u>	<u>10</u>	<u>(176)</u>	<u>(186)</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	176	176	176	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ (50)</u>	<u>\$ (50)</u>	<u>\$ 25</u>	<u>\$ 75</u>	<u>\$ 186</u>	<u>\$ 186</u>	<u>\$ -</u>	<u>\$ (186)</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Record Preservation Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	100	100	39	(61)	700	700	70	(630)
Other	<u>3,000</u>	<u>3,000</u>	<u>2,185</u>	<u>(815)</u>	<u>3,250</u>	<u>3,250</u>	<u>2,611</u>	<u>(639)</u>
<b>Total Revenue</b>	<u>3,100</u>	<u>3,100</u>	<u>2,224</u>	<u>(876)</u>	<u>3,950</u>	<u>3,950</u>	<u>2,681</u>	<u>(1,269)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>8,400</u>	<u>8,400</u>	<u>6,065</u>	<u>2,335</u>
<b>Total Expenditures</b>	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>8,400</u>	<u>8,400</u>	<u>6,065</u>	<u>2,335</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>600</u>	<u>600</u>	<u>2,224</u>	<u>1,624</u>	<u>(4,450)</u>	<u>(4,450)</u>	<u>(3,384)</u>	<u>1,066</u>
<b>Fund Balance - Beginning of Year</b>	15,751	15,751	15,751	-	19,135	19,135	19,135	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 16,351</u>	<u>\$ 16,351</u>	<u>\$ 17,975</u>	<u>\$ 1,624</u>	<u>\$ 14,685</u>	<u>\$ 14,685</u>	<u>\$ 15,751</u>	<u>\$ 1,066</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Technology Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	40	40	12	(28)	150	150	15	(135)
Other	<u>1,500</u>	<u>1,500</u>	<u>1,183</u>	<u>(317)</u>	<u>1,900</u>	<u>1,900</u>	<u>1,413</u>	<u>(487)</u>
<b>Total Revenue</b>	<u>1,540</u>	<u>1,540</u>	<u>1,195</u>	<u>(345)</u>	<u>2,050</u>	<u>2,050</u>	<u>1,428</u>	<u>(622)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	2,000	2,000	-	2,000	1,000	1,000	-	1,000
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(460)</u>	<u>(460)</u>	<u>1,195</u>	<u>1,655</u>	<u>1,050</u>	<u>1,050</u>	<u>1,428</u>	<u>378</u>
<b>Fund Balance - Beginning of Year</b>	4,747	4,747	4,747	-	3,319	3,319	3,319	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 4,287</u>	<u>\$ 4,287</u>	<u>\$ 5,942</u>	<u>\$ 1,655</u>	<u>\$ 4,369</u>	<u>\$ 4,369</u>	<u>\$ 4,747</u>	<u>\$ 378</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Bad Check Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	56	56	700	700	79	(621)
Other	<u>5,600</u>	<u>5,600</u>	<u>4,272</u>	<u>(1,328)</u>	<u>6,000</u>	<u>6,000</u>	<u>5,795</u>	<u>(205)</u>
<b>Total Revenue</b>	<u>5,600</u>	<u>5,600</u>	<u>4,328</u>	<u>(1,272)</u>	<u>6,700</u>	<u>6,700</u>	<u>5,874</u>	<u>(826)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	5,500	5,500	1,600	3,900	5,500	5,500	1,597	3,903
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>5,500</u>	<u>5,500</u>	<u>1,600</u>	<u>3,900</u>	<u>5,500</u>	<u>5,500</u>	<u>1,597</u>	<u>3,903</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>100</u>	<u>100</u>	<u>2,728</u>	<u>2,628</u>	<u>1,200</u>	<u>1,200</u>	<u>4,277</u>	<u>3,077</u>
<b>Fund Balance - Beginning of Year</b>	22,493	22,493	22,493	-	18,216	18,216	18,216	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 22,593</u>	<u>\$ 22,593</u>	<u>\$ 25,221</u>	<u>\$ 2,628</u>	<u>\$ 19,416</u>	<u>\$ 19,416</u>	<u>\$ 22,493</u>	<u>\$ 3,077</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff Civil Fees Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	18	18	60	60	25	(35)
Other	<u>6,000</u>	<u>6,000</u>	<u>2,971</u>	<u>(3,029)</u>	<u>1,000</u>	<u>1,000</u>	<u>2,945</u>	<u>1,945</u>
<b>Total Revenue</b>	<u>6,000</u>	<u>6,000</u>	<u>2,989</u>	<u>(3,011)</u>	<u>1,060</u>	<u>1,060</u>	<u>2,970</u>	<u>1,910</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	6,000	6,000	4,947	1,053	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>6,000</u>	<u>6,000</u>	<u>4,947</u>	<u>1,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(1,958)</u>	<u>(1,958)</u>	<u>1,060</u>	<u>1,060</u>	<u>2,970</u>	<u>1,910</u>
<b>Fund Balance - Beginning of Year</b>	8,161	8,161	8,161	-	5,191	5,191	5,191	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 8,161</u>	<u>\$ 8,161</u>	<u>\$ 6,203</u>	<u>\$ (1,958)</u>	<u>\$ 6,251</u>	<u>\$ 6,251</u>	<u>\$ 8,161</u>	<u>\$ 1,910</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Recorder Grant Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**911 Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ 179,500	\$ 179,500	\$ 173,917	\$ (5,583)	\$ 213,000	\$ 213,000	\$ 173,389	\$(39,611)
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	28,800	28,800	27,400	(1,400)	28,800	28,800	28,550	(250)
Interest Income	3,500	3,500	1,147	(2,353)	6,000	6,000	3,116	(2,884)
Other	<u>700</u>	<u>700</u>	<u>5,643</u>	<u>4,943</u>	<u>2,200</u>	<u>2,200</u>	<u>195</u>	<u>(2,005)</u>
<b>Total Revenue</b>	<u>212,500</u>	<u>212,500</u>	<u>208,107</u>	<u>(4,393)</u>	<u>250,000</u>	<u>250,000</u>	<u>205,250</u>	<u>(44,750)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	<u>212,500</u>	<u>212,500</u>	<u>229,300</u>	<u>(16,800)</u>	<u>246,000</u>	<u>246,000</u>	<u>233,126</u>	<u>12,874</u>
<b>Total Expenditures</b>	<u>212,500</u>	<u>212,500</u>	<u>229,300</u>	<u>(16,800)</u>	<u>246,000</u>	<u>246,000</u>	<u>233,126</u>	<u>12,874</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(21,193)</u>	<u>(21,193)</u>	<u>4,000</u>	<u>4,000</u>	<u>(27,876)</u>	<u>(31,876)</u>
<b>Fund Balance - Beginning of Year</b>	98,534	98,534	98,534	-	126,410	126,410	126,410	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 98,534</u>	<u>\$ 98,534</u>	<u>\$ 77,341</u>	<u>\$ (21,193)</u>	<u>\$ 130,410</u>	<u>\$ 130,410</u>	<u>\$ 98,534</u>	<u>\$(31,876)</u>

The accompanying notes to financial statements are an integral part of this statement



**Putnam County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Deputy Supplemental Salary Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	2,500	2,500	3,212	712	2,000	2,000	2,031	31
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>2,500</u>	<u>2,500</u>	<u>3,212</u>	<u>712</u>	<u>2,000</u>	<u>2,000</u>	<u>2,031</u>	<u>31</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk Probate	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	2,500	2,500	3,272	(772)	2,000	2,000	1,781	219
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
County Coroner	-	-	-	-	-	-	-	-
Emergency Fund	-	-	-	-	-	-	-	-
Highways and Roads	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,500</u>	<u>2,500</u>	<u>3,272</u>	<u>(772)</u>	<u>2,000</u>	<u>2,000</u>	<u>1,781</u>	<u>219</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>
<b>Fund Balance - Beginning of Year</b>	500	500	500	-	250	250	250	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 440</u>	<u>\$ (60)</u>	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 500</u>	<u>\$ 250</u>

The accompanying notes to financial statements are an integral part of this statement

**Putnam County, Missouri**  
**Notes to the Required Supplementary Information**  
**For the Two Years Ended December 31, 2010**

**Note 1: Budgeting and Budgetary Practices**

The County Commissioners and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law.

**Note 2: Budgetary Basis of Accounting**

The County budget is adopted on the cash basis of accounting.

**Note 3: Expenditures in Excess of Appropriations**

For the two years ended December 31, 2010, expenditures exceeded final budget amounts as follows:

	<u>Amount Over Budget</u>	
	<u>2010</u>	<u>2009</u>
Law Enforcement Fund	\$ 37,865	\$ -
911 Fund	\$ 16,800	\$ -
K-9 Fund	\$ 632	\$ -
Senior Citizens Tax Fund	\$ -	\$ 1,171
Help America Vote Act Fund	\$ -	\$ 39,342
Sheriff Revolving Fund	\$ -	\$ 345
Law Enforcement Restitution Fund	\$ 1,879	\$ -
Law Enforcement Training Fund	\$ 180	\$ -
Victims of Domestic Violence Fund	\$ -	\$ 61
Deputy Sheriff Supplemental Salary Fund	\$ 772	\$ -

## **YELLOW BOOK COMPLIANCE SECTION**

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the County Commission of  
Putnam County, Missouri  
Unionville, Missouri

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam County, Missouri as of and for the two years ended December 31, 2010, which collectively comprise of the County's basic financial statements and have issued my report thereon dated March 1, 2012. In my report, the county prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government  
Auditing Standards*  
(Concluded)**

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Commissioners, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

Kevin G. Hudson, C.P.A.  
Certified Public Accountant  
March 1, 2012

**Putnam County, Missouri**  
Schedule of Findings and Responses  
For the Two Years Ended December 31, 2010

**I. Financial Statement Findings**

There were no financial statement findings for the two years ended December 31, 2010



Thomas A. Schweich  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Howard County



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March 2012  
Report No. 2012-22

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<http://auditor.mo.gov>

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# Howard County

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of Howard County

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-40, *Howard County*, issued in August 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed reports summarizing the status of our recommendations and supporting documentation provided by the county, and held discussions with county officials. Documentation included copies of budgets, financial reports, property tax records, various accounting records, bank statements, and invoices. This report is a summary of the results of this follow-up work, which was substantially completed during December 2011 through February 2012.

Thomas A. Schweich  
State Auditor

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# Howard County

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Financial Condition

The General Revenue (GR) Fund, Special Road and Bridge (SRB) Fund, and Keller Building Fund were in poor financial condition.

Budgeted and actual disbursements had exceeded budgeted and actual receipts in the GR Fund in 4 of the last 5 years and the SRB Fund in 3 of the last 5 years. The county monitored budget to actual information and reduced some county disbursements; however, these reductions were not sufficient to offset declining receipts. The GR Fund cash balance had also declined due to increasing transfers to other county funds to offset expenses in those funds.

The Keller Building Fund was in poor financial condition because receipts were not sufficient to cover building expenses. The County Commission had increased Keller Building rental rates, including a 10 percent increase in 2010; however, these increases were not sufficient to offset building maintenance and repair needs. Prior to 2010, the county transferred monies from the GR Fund to the Keller Building Fund to help cover building expenses. Because the GR Fund balance had declined and major repairs were needed, the county had to obtain loans and grants to pay for repair and replacement of the heating and cooling systems.

The County Commission and County Clerk indicated they were aware of the concern and were monitoring the county's financial condition through monthly and quarterly budget reports and evaluating ways to reduce disbursements. In August 2010, Howard County voters authorized a 1/2-cent general sales tax levy to be collected beginning in January 2012. The county planned to deposit these collections, which the County Clerk estimated to be \$275,000 annually, in the GR Fund.

#### Recommendation

The County Commission continue to closely monitor and take necessary steps to improve the county's financial condition.

#### Status

##### **In Progress**

The County Commission continues to closely monitor the financial condition. According to the county's 2012 budget documents, cash balances for the year ended December 31, 2011, were \$38,219, \$228,166, and \$5,895, for the GR Fund, SRB Fund, and Keller Building Fund, respectively.

The budgeted ending cash balances for the GR Fund and SRB Fund at December 31, 2012, are \$23,054 and \$113,017, respectively. The new 1/2-cent general sales tax was effective January 2012. These receipts, which the County Clerk estimates at \$275,000 annually, will be deposited in the GR Fund. Major repairs to the Keller Building boiler system are underway and the Keller Building Fund budget for the year ending December 31, 2012, provides for an ending cash balance of \$0 and a loan of approximately



Howard County  
Follow-up Report on Prior Audit Findings  
Status of Findings

\$48,100 related to the project. County officials indicated these repairs will help decrease Keller Building utility costs and improve the financial condition of the fund.

2.1 County Collector  
Annual Settlements

The County Collector did not complete and file accurate annual settlements in a timely manner. As of January 2011, the County Collector had drafted, but not finalized, the annual settlement for the year ended February 28, 2010. The County Collector finalized and filed the settlement in February 2011; however, the settlement contained several errors and omissions. Additionally, total charges exceeded total credits by \$5,471. After we brought the above errors to her attention, the County Collector corrected these matters and filed an amended settlement in April 2011. Our review of the annual settlement for the year ended February 28, 2011, which was also filed in April 2011, noted no significant errors, omissions, or differences.

Recommendation

The County Collector file complete and accurate annual settlements in a timely manner. The County Collector should continue to investigate the differences reported on the annual settlements.

Status

**In Progress**

The County Collector has filed monthly settlements on a timely basis and she plans to file the annual settlement for the year ended February 29, 2012 in a timely manner. The County Collector stated she investigated the differences reported on the annual settlements, but has been unable to identify the reasons for the differences.

2.2 Review of Property  
Taxes

The County Clerk did not maintain an account book or other records summarizing property tax transactions and changes, and the County Clerk and the County Commission did not perform procedures to verify the accuracy of the County Collector's monthly or annual settlements. As a result, neither the County Clerk nor the County Commission detected errors in the County Collector's annual settlement.

Recommendation

The County Clerk maintain an account book with the County Collector. The County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.

Status

**Implemented**

The County Clerk indicated she began maintaining an account book with the County Collector in 2011. She also indicated she reviews the accuracy and completeness of the County Collector's monthly and annual settlements and reports to the County Commission regarding the results of her review.



Howard County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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### 2.3 Tax Books

The County Clerk did not prepare or verify the accuracy of the current or delinquent tax books. The County Collector prepared the tax books from the computer system and there was no independent review performed by the County Clerk.

#### Recommendation

The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

#### Status

##### **Implemented**

The County Clerk verifies the accuracy of the current and delinquent tax books.

---

### 3. Sheriff Controls and Procedures

The Sheriff's accounting procedures did not provide assurances that monies collected were accounted for properly.

#### 3.1 Segregation of duties

Accounting duties were not adequately segregated and adequate supervisory review of the accounting records was not performed.

#### Recommendation

The Sheriff segregate accounting and bookkeeping duties to the extent possible or, at a minimum, perform and document periodic reviews of the work performed.

#### Status

##### **In Progress**

Duties have not been segregated. The Sheriff indicated he reviews monthly bank reconciliations and fee transmittals to the County Treasurer; however, no written verification of this review exists. The Sheriff indicated he will document future reviews of accounting records.

#### 3.2 Bank reconciliations

Bank reconciliations had not been performed for any of the Sheriff's four bank accounts since July 2006. At our request, a bank reconciliation was prepared for the Sheriff's fee account as of February 28, 2011, and noted an unidentified balance of \$1,278. In addition, running book balances were not maintained for any of the accounts.

#### Recommendation

The Sheriff maintain running book balances, perform monthly bank reconciliations, and investigate and resolve any differences.

#### Status

##### **Implemented**

During a follow-up meeting with the Sheriff in December 2011, the Sheriff provided documentation that monthly bank reconciliations were performed for the Sheriff's four bank accounts for the months of January through November 2011, and running book balances were maintained. These bank



Howard County  
Follow-up Report on Prior Audit Findings  
Status of Findings

reconciliations noted unidentified balances in each of the accounts. The Sheriff investigated the unidentified amounts and transferred \$1,339 to the County Treasurer in January 2012, for disposal in accordance with state law.

### 3.3 Receipts and deposits

Receipting and depositing procedures needed improvement.

- Receipts were recorded on multiple receipt records, and the Sheriff's department did not reconcile the various receipt records or reconcile the receipt records to deposits.
- The method of payment (cash, check, or money order) was not consistently or accurately indicated on receipt slips, and the composition of deposits was not indicated on deposit slips. As a result, the composition of receipt slips could not be compared to the composition of deposits.
- Fee receipts were not deposited intact or in a timely manner.
- Generic prenumbered receipt slips were issued for monies received at the jail, and the receipt books were not purchased or issued in numerical order. In addition, our review of jail receipts noted some receipt slips were skipped or missing and not noted as voided.
- Monies were not kept in a secure location.

### Recommendation

The Sheriff ensure official prenumbered receipt slips are issued for all receipts; receipts are maintained in a secure location and deposited intact and in a timely manner; the method of payment is accurately indicated on all receipt slips; voided receipt slips are properly voided and retained; and receipt records, including the composition of receipt slips issued, are reconciled to the composition of deposits. In addition, the Sheriff should ensure seized cash is deposited or stored in a secure location.

### Status

#### In Progress

The Sheriff indicated he has consulted with another county Sheriff's department regarding receipting procedures and plans to implement a new receipting and ledger system in early 2012. The Sheriff indicated he plans to purchase official prenumbered receipt slips to be issued for all receipts and has instructed staff of the need to accurately indicate the method of payment on all receipt slips and properly void receipt slips. Fee receipts continue to be kept in an unsecure location prior to deposit; however, deposits are made on a more timely basis. The Sheriff indicated he implemented procedures to keep all seized cash in a locked box and disposed of all seized cash on hand as of December 2011. The composition of deposits is documented on deposit slips; however, the composition of receipt slips issued is not



Howard County  
Follow-up Report on Prior Audit Findings  
Status of Findings

reconciled to the composition of deposits. The Sheriff indicated he will ensure this reconciliation is performed in the future.

### 3.4 Telephone cards

Records were not maintained of prepaid telephone cards purchased and sold to inmates, and telephone cards and related receipts were maintained in an unsecure location. Cash receipts were used to purchase additional telephone cards, and profits were periodically transmitted to the County Treasurer.

#### Recommendation

The Sheriff maintain records of telephone card sales and inventories. Such records should document the beginning number of telephone cards, cards purchased, cards sold, and the ending balance of cards. Periodic physical inventory counts should be performed and reconciled to telephone card records. Any discrepancies should be investigated in a timely manner. In addition, telephone cards and receipts should be maintained in a secure location, receipts should be deposited, and telephone cards should be purchased through the county disbursement process.

#### Status

##### **Partially Implemented**

The Sheriff maintains a log of telephone card sales and inventories and maintains the telephone cards and receipts in a locked box. However, the Sheriff continues to purchase telephone cards with cash receipts instead of through the county disbursement process.

### 3.5 Monthly transmittals

The Sheriff did not always transmit fees to the County Treasurer on a monthly basis as required by state law.

#### Recommendation

The Sheriff transmit fees monthly to the County Treasurer.

#### Status

##### **Implemented**

The Sheriff fees are transmitted to the County Treasurer on a monthly basis.

### 4.1 Road and Bridge Sales Tax

Although it appeared the county spent road and bridge capital improvement sales tax monies in accordance with ballot language, such language may not have been consistent with the intent of the authorizing state law.

Section 67.700, RSMo, allows counties to impose a sales tax for any capital improvement purpose designated by the county in its ballot submitted to voters, and requires the monies received from the sales tax be deposited in a separate fund and used solely for the designated capital improvement purpose. However, the ballot did not specifically identify a capital improvement purpose. The ballot stated the sales tax would be used for "the general operating expense incurred by the Road and Bridge Fund, including but not limited to the following: road rock, salaries, fuel expense, equipment purchases, and bridges and culverts, etc." In addition, the county deposited



Howard County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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road and bridge sales tax receipts into the SRB Fund and did not separately account for disbursements made from the sales tax receipts, and had not identified capital improvement projects funded with these monies. Further, the county distributed approximately 20 percent of these receipts to two special road districts; however, the county had not entered into written agreements with the districts or established a system of monitoring the districts' use of these and other monies received from the county.

**Recommendation**

The County Commission consult with legal counsel regarding the ballot language and procedures related to the road and bridge capital improvement sales tax and, if necessary, implement procedures to ensure compliance with state law. In addition, the County Commission should enter into written agreements and establish procedures to monitor the special road districts' expenditure of county monies.

**Status**

**In Progress**

The County Commission entered into a 12-month legal services agreement with the Missouri Association of Counties, Inc. (MAC), effective January 1, 2012. The County Commission stated they plan to consult with the MAC attorney regarding the ballot language and procedures related to the road and bridge capital improvement sales tax in early 2012. The County Commission is in the process of entering into contracts with each of the special road districts for 2012. The County Commission indicated these contracts will require the special road districts to submit budgets and year-end financial reports to the county.

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**5.1 Restricted Funds**

Disbursements from the Election Services Fund and the Sheriff's Revolving Fund were not in compliance with state law.

**Recommendation**

The County Commission, County Clerk, and the Sheriff ensure monies in restricted funds are spent in accordance with state law.

**Status**

**Partially Implemented**

The County Commission and the County Clerk indicated they are monitoring expenses of restricted funds and ensuring these monies are spent according to state law. However, the Sheriff indicated he continues to spend monies from the Sheriff's Revolving Fund when funds are not available from other sources. A review of disbursements from the Sheriff's Revolving Fund from September through December 2011, identified three disbursements totaling \$800 that were not in compliance with state law.



Howard County  
Follow-up Report on Prior Audit Findings  
Status of Findings

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6. Rock and Pipe Sales

The county did not always prepare an invoice for each sale of rock or pipe or issue a receipt slip for each payment. In addition, pipe was sold at 2009 rates rather than the rates the county paid/would pay for the pipe when needed.

Recommendation

The County Commission ensure invoices are prepared for all sales of rock and pipe, receipt slips are issued for all monies received, and charges are sufficient to ensure recovery of costs.

Status

**Implemented**

Records and procedures over rock and pipe sales were transferred to the County Clerk's office in January 2012. The County Clerk and the Road and Bridge Supervisor maintain inventory records. The County Clerk indicated she issues invoices for all sales and receipt slips for all monies received, and ensures charges are sufficient to ensure recovery of costs.

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7.1 Public Administrator  
Annual Settlements and  
Status Reports

The Associate Circuit Court had not established procedures to adequately monitor the activity of cases assigned to the Public Administrator. The Associate Circuit Court required the Public Administrator to annually report financial activity for each case on either an annual settlement or status report, as determined by the Associate Circuit Judge. The Associate Circuit Judge reviewed and approved annual settlements and status reports; however, the court did not verify the accuracy of the information contained in status reports. While the Probate Clerk reviewed each annual settlement by verifying its accuracy and reviewing supporting documentation, her review of the annual status reports was limited to a review for reasonableness. Because an annual status report, rather than an annual settlement report, was required for most cases, the court had no assurance all financial activity of each ward was appropriately reported to the court for review.

Recommendation

The Associate Circuit Judge establish procedures to adequately monitor the activity of all cases assigned to the Public Administrator.

Status

**Implemented**

The Associate Circuit Judge requires the Public Administrator to attach the most recent bank statement to each annual status report, and the Court verifies the financial status of each ward.





**Thomas A. Schweich**  
Missouri State Auditor

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# Independence Avenue and Colbern Road Transportation Development District



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March 2012  
Report No. 2012-21

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Independence Avenue and Colbern Road Transportation Development District

Background	The Independence Avenue and Colbern Road Transportation Development District (TDD) was organized in May 2007, and is located in the City of Lee's Summit in Jackson County. The qualified voters of the TDD, in this case the property owners/developer, approved a 3/4-cent sales tax on all taxable transactions within the TDD. They later voted to increase the tax to 1-cent. The TDD was formed for the purpose of constructing approximately \$900,000 worth of transportation projects, but the projects were not completed. The City of Lee's Summit subsequently took responsibility for the projects and the related funding, and plans to begin construction in the summer of 2012. On September 27, 2011, the TDD Board of Directors approved a resolution formalizing its intent to dissolve the TDD and repeal its sales tax effective January 1, 2012, and the State Auditor's office was notified.
Statutory Requirement	Section 238.275, RSMo, requires the State Auditor to determine the financial status of a TDD before it may be abolished. The law prohibits the abolishment of a TDD while there are outstanding claims or causes of action pending against it, if its liabilities exceed its assets; or while the TDD is insolvent, in receivership or under the jurisdiction of a bankruptcy court.
Financial Status	The Independence Avenue and Colbern Road TDD had a cash balance of \$18,320 at February 8, 2012, which the TDD's legal counsel estimates will be sufficient to pay any remaining costs and obligations. Based upon our audit, the Board of Directors may proceed with the abolishment of the Independence Avenue and Colbern Road TDD.

Because of the limited objective of this audit, no overall rating is provided.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Independence Avenue and Colbern Road TDD did not receive any federal stimulus monies during the audited time period.
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# Independence Avenue and Colbern Road Transportation Development District Table of Contents

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**Thomas A. Schweich**  
**Missouri State Auditor**

Dave Meyer, Chairman  
and  
Board of Directors  
Independence Avenue and Colbern Road Transportation Development District  
Lee's Summit, Missouri

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On September 27, 2011, the Board of Directors of the Independence Avenue and Colbern Road Transportation Development District (TDD) approved a resolution of its intent to dissolve the district and request an audit as required by statute. The State Auditor was subsequently notified of this resolution.

The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objective of our audit was to evaluate the financial status of the TDD and determine whether the district may be abolished pursuant to law.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; and interviewing various personnel of the TDD, as well as certain external parties. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The audit determined the Board of Directors can proceed with abolishment of the district in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our finding arising from our audit of the Independence Avenue and Colbern Road Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in between.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Robert McArthur II

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# Independence Avenue and Colbern Road Transportation Development District Management Advisory Report - State Auditor's Findings

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## **Financial Status**

Our audit of the Independence Avenue and Colbern Road Transportation Development District (TDD) indicates the financial condition of the TDD is such that the TDD may be abolished.

The Independence Avenue and Colbern Road Transportation Development District was organized in May 2007 by petition of the owners/developer of property within the proposed district. The Board of Directors and officers include the property owners/developer and a relative of a property owner.

The qualified voters of the TDD, in this case the property owners/developer, approved the imposition of a 3/4-cent sales tax on all transactions which are taxable within the boundaries of the district, effective June 2007. The sales tax was expected to remain in effect for 30 years, unless terminated sooner. An increase in the sales tax to 1-cent (1 percent) was subsequently approved by the qualified voters, effective March 2009. The retail establishments within the district collected the sales taxes and forwarded the collections to the Missouri Department of Revenue.

The TDD is located in the City of Lee's Summit, in Jackson County. The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of constructing transportation projects with a total estimated cost of approximately \$900,000; however, the projects were not completed.

The Missouri Department of Transportation and the City of Lee's Summit were the public entities with jurisdiction over these projects. The City of Lee's Summit has subsequently taken responsibility and will provide the funding for the TDD's proposed projects. The city confirmed its plans to begin construction the summer of 2012.

On September 27, 2011, the Independence Avenue and Colbern Road TDD Board approved resolutions formalizing its intent to dissolve the district and repealing its sales tax effective January 1, 2012. In October 2011, the TDD's legal counsel advised the SAO of the Board's intent to dissolve the TDD and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo.

The SAO has performed an audit of the Independence Avenue and Colbern Road TDD as required by Section 238.275, RSMo. That statute requires the State Auditor to audit the TDD to determine its financial status, and determine whether the TDD may be abolished pursuant to law. That law also states the board shall not propose the question to abolish the TDD while there are outstanding claims or causes of action pending against it, if its



Independence Avenue and Colbern Road  
Transportation Development District  
Management Advisory Report - State Auditor's Findings

liabilities exceed its assets, or while the TDD is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

The following table presents the financial activity and cash balances of the TDD for the 2 years ended December 31, 2011 (as presented on the cash basis):

	Year Ended December 31,	
	2011	2010
RECEIPTS		
Sales taxes	\$ 46,328	38,570
Total Receipts	46,328	38,570
DISBURSEMENTS		
Legal costs	4,933	14,559
Accounting/tax collection fees	2,256	3,358
Debt service *	39,191	14,577
Total Disbursements	46,380	32,494
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	(52)	6,076
BEGINNING CASH	11,951	5,875
ENDING CASH	\$ 11,899	11,951

\* Repayment by agreement of costs paid directly by the developer, including certified project costs and additional legal and accounting costs.

Based on our audit, the cash balance of the TDD at December 31, 2011, was \$11,899. The TDD subsequently received its final 2 sales tax collections and as of February 8, 2012, maintained a balance in its account of \$18,320. The TDD's legal counsel estimates the outstanding liabilities for final administrative costs (legal, accounting and audit costs) to be equal to or less than the TDD account balance. Based on legal counsel's representations, TDD assets will be sufficient to pay any remaining costs and obligations.

Based on our audit of the TDD, the Board of Directors can proceed with the abolishment of the TDD in accordance with Section 238.275, RSMo.



Thomas A. Schweich  
Missouri State Auditor

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## JUDICIARY

# Missouri Court of Appeals

## Eastern District



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March 2012  
Report No. 2012-20

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<http://auditor.mo.gov>





**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Missouri Court of Appeals, Eastern District

Bidding Procedures	Several purchases were not bid in compliance with the court's administrative bid policy, which requires competitive bidding for purchases of major equipment or furniture over \$500. Court officials said two of the purchases were provided by a sole source contractor or as part of a state contract, but could not provide appropriate supporting documentation.
Payroll and Personnel Policies and Procedures	There is no supervisory review of payroll duties, law clerks are not required to complete timesheets, and a leave policy has not been established for law clerks. This makes it difficult to identify errors, ensure all transactions are legitimate, and ensure employees are treated equitably.
Receipts and Deposits	The court needs to improve its policies and procedures for managing receipts. Receipts are not always entered timely into the state's accounting system and entries are not reviewed for accuracy. We found approximately \$2,300 in receipts that were incorrectly coded. In addition, court receipts are not always deposited on a timely basis, which increases the risk of loss, theft or misuse.
Accounts Receivable	The court does not periodically review accounts receivable, which reduces the likelihood the court will collect the amounts it is owed. As of November 21, 2011, the accounts receivable report listed 654 cases totaling approximately \$45,600 in unpaid filing fees; however, many of the cases were incorrectly on the report due to not properly coding the cases in the system and because errors occurred during a computer system conversion several years ago. In addition, the court also improperly waived fees for some cases.
Capital and Library Assets	The court's procedures and records to account for court property are not adequate. The court has not conducted a physical inventory of the court's equipment and furniture since 2006, and the computer equipment list does not provide the purchase price, purchase date, or disposition of the items. A Law Library physical inventory was conducted in November 2011, but the court did not reconcile the results of the inventory with asset records. The Law Library asset list does not provide the purchase prices of the items, and the judge's law books are not included on any of the asset lists.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	During the year ended June 30, 2010, the Missouri Court of Appeals, Eastern District, spent \$159,866 in Federal Stimulus monies appropriated from the Federal Budget Stabilization-Medicaid Reimbursement Fund to fund general operations of the court.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Missouri Court of Appeals

## Eastern District

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Chief Judge and Court en banc  
Missouri Court of Appeals, Eastern District  
Saint Louis, Missouri

We have audited certain operations of the Missouri Court of Appeals, Eastern District, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2010, and 2009. The objectives of our audit were to:


1. Evaluate the court's internal controls over significant management and financial functions.
2. Evaluate the court's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the court, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the court's management and was not subjected to the procedures applied in our audit of the court.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Court of Appeals, Eastern District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Assistant Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch Jr., CIA
Audit Staff:	Julie M. Moore, MBA

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# Missouri Court of Appeals

## Eastern District

### Management Advisory Report - State Auditor's Findings

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#### **1. Bidding Procedures**

Some purchases were not bid or documentation of sole source or state contract was not retained. As a result, the court cannot ensure the best price for services was obtained. The court's administrative policy states purchases of major equipment or furniture over \$500 will be bid. For the 3 years ended June 30, 2011, the following purchases were not bid in compliance with court policy:

Item	Cost
Office supplies (1)	\$ 39,408
Security service (1)	39,300
Courier service (1)	10,956
Courtroom lighting	6,850
LaserJet printers	3,065

(1) Total amount expended for the 3 years ended June 30, 2011

Court officials stated office supplies and courtroom lighting were provided by a sole source contractor or as part of a state contract; however, this information was not documented by the court. Competitive bidding helps ensure the court receives fair value by contracting with the lowest and best bidders. Bidding also helps ensure all parties are given an equal opportunity to participate in the court's business.

#### **Recommendation**

The Court Administrator ensure compliance with the court's purchasing procedures and ensure adequate documentation is maintained as evidence of compliance with policy and to support justification of bid awards.

#### **Auditee's Response**

*It is the court's policy to purchase office supplies, computer equipment, and other supplies whenever possible on the state contract. Policies have been adopted to ensure that there is adequate documentation to comply with this recommendation.*

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#### **2. Payroll and Personnel Policies and Procedures**

Several concerns related to payroll and personnel policies and procedures were identified. Payroll expenditures total approximately \$4.3 million each year, representing over 90 percent of the court's total expenditures.

The court has two groups of employees. Court support staff, which includes the fiscal officer, librarian, computer information specialist, marshal, court clerks, and research attorney, work for the court overall and report to the Court Administrator. In addition, each judge has one or two law clerks and one judicial administrative assistant. All court employees work full-time and are provided a salary and the same benefits as other state employees, with the exception of annual leave and sick leave for law clerks.

##### **2.1 Payroll controls**

There is no supervisory review of the payroll duties performed by the Fiscal Officer. As a result, errors may not be detected and corrected in a timely



Missouri Court of Appeals  
Eastern District  
Management Advisory Report - State Auditor's Finding

manner. The Fiscal Officer enters payroll information, including salary and employee information, into the Statewide Advantage for Missouri - Human Resources/Payroll (SAM II-HR) System with no supervisory approval or review.

To ensure payroll transactions are proper and errors are detected and corrected timely, the court should require supervisory review of payroll records.

## 2.2 Timesheets

Timesheets are prepared by court support staff, but are not prepared by the law clerks. Without time sheets, the court cannot ensure hours worked and leave taken by the law clerks is properly documented. The work schedules of the law clerks are at the discretion of the judge for whom they work. We surveyed the judges and many indicated they consider the law clerks to be professional staff, who are required to put in the hours needed to complete their tasks and they do not consider timesheets necessary.

To ensure payroll costs are adequately documented, records detailing hours worked or leave taken should be prepared by all employees, approved by their supervisor, and filed with the fiscal office.

## 2.3 Leave records and policies

The court has not established a leave policy for law clerks. Law clerks do not accrue annual or sick leave, but are given time off at the discretion of the judge for whom they work. As a result, the court cannot ensure all employees are treated equally. Each judge is responsible for maintaining leave records for his or her law clerks and the Fiscal Officer is responsible for maintaining leave records for all other court employees. Our survey of the judges indicated they do not maintain leave records for the law clerks.

Our survey of the judges regarding leave practices for law clerks indicated they have not established standard amounts of time off for the law clerks. Some clerks do not receive any annual or sick leave, while others receive various amounts of annual leave from 5 to 20 days, and some as much sick time as they require, with their judge's approval.

Court personnel could provide no explanation or justification of the current practices for handling time off for law clerks. The court indicated this arrangement was established many years ago and is traditionally how law clerks are handled. A written leave policy for law clerks is necessary to provide assurance these employees are treated equitably and to prevent misunderstandings. Leave records should be maintained for all court employees and monitored to provide assurance the balances are accurate and in compliance with the leave policy, and employees are treated equitably. Leave records also provide support for the amount of accumulated leave to be paid to an employee upon termination.



Missouri Court of Appeals  
Eastern District  
Management Advisory Report - State Auditor's Finding

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## Recommendations

The Court Administrator:

- 2.1 Perform a supervisory review of the payroll duties performed by the Fiscal Officer.
- 2.2 And the Court en banc require a record of hours worked or leave taken be prepared and signed by all employees, approved by their supervisor, and filed with the fiscal office.
- 2.3 And the Court en banc establish a leave policy for law clerks, ensure leave records are maintained for all employees, and periodically monitor those records for compliance with the court leave policy.

## Auditee's Response

- 2.1 *The Court Administrator will conduct a quarterly review of the payroll.*
- 2.2
- &2.3 *The court appreciates the Auditor's recommendation in regard to this personnel issue. Law clerks are professional staff. This practice is one of long standing and is consistent with the policies of the state's other intermediate appellate courts and the Missouri Supreme Court. The court will take this recommendation into consideration in its ongoing review of its personnel policies.*

---

## 3. Receipts and Deposits

Improvements are needed on policies and procedures related to receipts. The court receives filing fees (\$70 per case) and monies for copies of various court records and documents. Court receipts totaled approximately \$42,000 during the 3 years ended June 30, 2011. Of this amount, approximately 84 percent was filing fees and 16 percent was copy fees. The following concerns were noted during our review of the court's receipting and depositing procedures:

- Receipts are not always entered in the Statewide Advantage for Missouri (SAM II) System in a timely manner. Receipts received throughout the month of April 2011 were not posted to SAM II until April 27.
- SAM II receipt entries are not reviewed for accuracy. Receipts of approximately \$2,000 were incorrectly coded to state auditor fees during the year ended June 30, 2011, and approximately \$300 was incorrectly coded to milk inspection fees during the year ended June 30, 2009. An administrative assistant is responsible for making the entries and there is no independent review to ensure receipts are properly coded in SAM II.





Missouri Court of Appeals  
Eastern District  
Management Advisory Report - State Auditor's Finding

- Court receipts are not always deposited on a timely basis. Deposits are only made approximately 2 to 3 times per month.

To adequately safeguard and account for all receipts, procedures should be established to ensure monies are recorded timely and accurately in SAM II and deposits are made in a timely manner.

## Recommendation

The Court Administrator establish procedures to ensure monies are recorded timely to SAM II and reviewed for accuracy, and deposits are made in a timely manner.

## Auditee's Response

*The court has reinforced its existing policy that receipts are recorded in a timely manner and deposits are made on a timely basis. Procedures have been established to ensure that receipts will be accurately coded in SAM II.*

## 4. Accounts Receivable

Accounts receivable are not reviewed periodically, which reduces the likelihood that amounts due to the court are collected. Accounts receivable for the court consist of case filing fees. An accounts receivable report is available on the court's computer system; however, court personnel indicated they were not aware of this report, nor were they aware of any accounts receivable.

The court normally collects the filing fee when a case is filed. As of November 21, 2011, the accounts receivable report included 654 cases totaling approximately \$45,600. After we made the court aware of the list, several cases were reviewed. Court personnel determined some cases listed had been granted In Forma Pauperis status, which entitles an individual who is without funds to a waiver of normal costs. However, the court had not properly removed the fees from the system. There were also several cases which appeared to be on the list in error from a computer system conversion several years ago. It appears the majority of the accounts receivable were simply not coded correctly to remove the fees from the system or were errors. The errors would have been discovered by the court if the accounts receivable information had been reviewed.

In addition, fees for some In Forma Pauperis cases involving inmates had been incorrectly waived. The Prison Litigation Reform Act established a section of U.S. code which requires case fees to be collected from inmates, but the court had not collected the required fees and considered them to have been waived. Court personnel indicated the judges did not feel the court was required to collect the fees, but there was no documentation to support this explanation.

Review and follow-up of delinquent accounts is necessary to properly monitor amounts due to the court, provide information to the Chief Judge, and improve accountability.



Missouri Court of Appeals  
Eastern District  
Management Advisory Report - State Auditor's Finding

## Recommendation

The Court Administrator should establish procedures to monitor accounts receivable reports to maximize collections. The court should reconsider collecting on cases which fall under the Prison Litigation Reform Act or properly document why this fee does not apply.

## Auditee's Response

*The accounts receivable report currently reflects no accounts receivables. This report is being printed and reviewed monthly. The Court en banc has instructed court staff to apply the Prison Litigation Reform Act.*

## 5. Capital and Library Assets

Procedures and records to account for court property are not adequate. As a result, assets are more susceptible to theft or misuse. The court maintains three asset listings, one for computer equipment, another for Law Library resources, and another for all other court equipment and furniture. The following concerns were noted during our review of the court's asset lists:

- A physical inventory of the court's equipment and furniture has not been performed since 2006.
- A physical inventory of the Law Library was performed in November 2011, but the court did not reconcile the results of the inventory with asset records.
- The judges' law books are not included on any of the asset lists.
- The computer equipment list does not contain information on the purchase price, purchase date, or the disposition of the item.
- The Law Library asset list does not contain information on the purchase price of items.

Adequate asset records are necessary to secure better internal control over court property. Asset records should include a detailed description of the assets, purchase price, purchase date, and the date and method of disposition of the assets. Physical inventories and reconciliation of those inventories to the inventory records are necessary to ensure inventory records are accurate, identify unrecorded additions and dispositions, detect and deter theft of assets, and identify obsolete materials.

## Recommendation

The Court Administrator ensure complete and detailed capital and library asset records are maintained and annual physical inventories are performed and compared to detailed records.

## Auditee's Response

*This has been partially completed and is being implemented.*

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# Missouri Court of Appeals

## Eastern District

### Organization and Statistical Information

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The Missouri Court of Appeals, Eastern District, was formed in 1876, and is governed by Article V, Missouri Constitution, and Chapter 477, RSMo. The court has appellate jurisdiction over 25 counties in Eastern Missouri including the City of Saint Louis, except for those cases within the exclusive jurisdiction of the Supreme Court. The court has its offices in Saint Louis, Missouri. The court holds oral arguments August through June. The court is composed of 14 judges who sit in 5 divisions, each with 3 judge positions, that rotate on an annual basis. The judges cover the additional position through a monthly rotation, usually from the pool of Eastern District Court judges.

The salaries of the judges are set by statute. Judges are selected under the Missouri Plan, which includes selection by the Appellate Judicial Commission, appointment by the Governor, and retention by voters. Judges must be at least 30 years old, residents of their district, United States citizens for at least 15 years, and Missouri voters for 9 years before their selection. Judges serve 12-year terms. The judges elect a chief judge to serve a 1-year term. At June 30, 2011, the judges of the Missouri Court of Appeals, Eastern District, were as follows:

#### Judges and Court Personnel

Name and Title	Term Expires
Roy L. Richter, Chief Judge	December 31, 2020
Gary M. Gaertner, Jr.	December 31, 2012
Kurt S. Odenwald	December 31, 2020
Kenneth M. Romines	December 31, 2018
Sherri B. Sullivan	December 31, 2012
Lawrence E. Mooney	December 31, 2012
Mary Kathryn Hoff	December 31, 2022
Robert G. Dowd, Jr.	December 31, 2020
Clifford H. Ahrens	December 31, 2016
Kathianne Knaup Crane	December 31, 2016
Patricia L. Cohen	December 31, 2016
Glenn A. Norton	December 31, 2016
George W. Draper, III	December 31, 2014
Vacancy (1)	

(1) Nannette Baker resigned in February of 2011 and was replaced by Robert M. Clayton III in August of 2011.

Douglas R. Bader has served as Court Administrator since January 2001. The court administrator supervises the internal administrative functions of the court and reports directly to the chief judge. In addition to the judges and Court Administrator, the court employed 53 full-time employees at June 30, 2011.



Missouri Court of Appeals  
Eastern District  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The court spent American Recovery and Reinvestment Act of 2009 monies of \$159,866 during the year ended June 30, 2010. These monies were appropriated to the court from the Federal Budget Stabilization - Medicaid Reimbursement Fund (see Appendix B) and were used to fund general operations of the court.

Appendix A

Missouri Court of Appeals  
Eastern District  
Comparative Statement of Receipts

	Year Ended June 30,		
	2011	2010	2009
GENERAL REVENUE FUND			
Court fees	\$ 8,498	8,821	8,052
Copy monies	1,661	2,107	2,839
Total General Revenue Fund	\$ <u>10,159</u>	<u>10,928</u>	<u>10,891</u>
BASIC CIVIL LEGAL SERVICES FUND			
Court fees	\$ <u>3,240</u>	<u>3,380</u>	<u>3,380</u>

Appendix B

Missouri Court of Appeals  
Eastern District  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2011			2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND									
Personal Service-Judges' Salaries	\$ 1,794,901	1,747,530	47,371	1,794,901	1,749,919	44,982	1,794,901	1,744,639	50,262
Personal Service	2,573,817	2,515,184	58,633	2,459,057	2,427,504	31,553	2,588,481	2,583,924	4,557
Expense and Equipment	449,719	449,719	0	404,601	404,597	4	435,055	435,055	0
Total General Revenue Fund	4,818,437	4,712,433	106,004	4,658,559	4,582,020	76,539	4,818,437	4,763,618	54,819
FEDERAL BUDGET STABILIZATION - MEDICAID REIMBURSEMENT FUND									
Personal Service	0	0	0	129,424	129,424	0	0	0	0
Expense and Equipment	0	0	0	30,454	30,442	12	0	0	0
Total Federal Budget Stabilization - Medicaid Reimbursement Fund	0	0	0	159,878	159,866	12	0	0	0
Total All Funds	\$ 4,818,437	4,712,433	106,004	4,818,437	4,741,886	76,551	4,818,437	4,763,618	54,819

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,		
	2011	2010	2009
General Revenue Fund			
Personal Service-Judges' Salaries	\$ 47,000	44,980	49,025
Personal Service	25,674	18,080	0
Total General Revenue Fund	\$ 72,674	63,060	49,025

## Appendix C

### Missouri Court of Appeals

#### Eastern District

#### Comparative Statement of Expenditures (From Appropriations)

		Year Ended June 30,				
		2011	2010	2009	2008	2007
Personal service	\$	4,262,714	4,306,847	4,328,563	4,224,317	4,075,655
Travel, in-state		16,057	15,224	21,061	23,483	16,061
Travel, out-of-state		1,832	4,105	6,698	4,996	4,109
Supplies		161,526	155,512	140,668	172,431	135,589
Professional development		24,068	22,463	26,845	27,989	23,846
Communication services and supplies		82,454	72,927	69,464	63,284	76,920
Services:						
Professional		41,228	32,695	31,626	23,384	27,817
Maintenance and repair		5,073	4,880	10,756	11,454	9,621
Equipment:						
Computer		18,815	22,060	24,458	29,430	10,437
Office		1,034	7,589	10,392	4,283	10,281
Other		683	0	4,174	4,563	3,962
Real property rentals and leases		83,867	79,492	71,340	73,510	70,255
Equipment rental and leases		9,706	9,960	9,671	19,736	33,842
Miscellaneous expenses		3,376	8,132	7,902	7,494	12,276
Total Expenditures	\$	<u>4,712,433</u>	<u>4,741,886</u>	<u>4,763,618</u>	<u>4,690,354</u>	<u>4,510,671</u>



**Thomas A. Schweich**  
Missouri State Auditor

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# Summary of State and Local Audit Findings - Sunshine Law



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**March 2012**  
**Report No. 2012-19**

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<http://auditor.mo.gov>





**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Summary of State and Local Audit Findings - Sunshine Law

Background	This report was compiled using the nearly 300 audit reports issued between January 2010 and December 2011. The objective of this report was to summarize recent audit issues and recommendations regarding the Sunshine Law, Chapter 610, RSMo, and other issues related to meeting minutes.
Open Meetings	Formal minutes were not maintained for some open meetings, and minutes which were maintained did not always include sufficient detail. Several entities failed to document the reasons for closing meetings, the specific section of law that allowed for the closing, and the votes regarding meeting closure. Minutes, for affiliated boards, committees and commissions, were not always prepared and approved timely or filed in an organized manner. In addition copies of the minutes and records of the affiliated boards, committees, and commissions were not maintained by the official custodian of records of the governing body. Some entities did not comply with state law regarding votes by telephone or email, and some appeared to conduct business outside regular open meetings.
Closed Meetings	Minutes were not maintained for some closed meetings, and minutes which were maintained did not always include sufficient detail. Several entities did not document how some issues discussed in closed session were allowable under state law, and some discussed issues other than the specific reasons cited for going into closed session.
Public Records	Some governing bodies did not have adequate policies and procedures regarding public access to records, and some did not maintain sufficient documentation to demonstrate compliance with the law. In addition, some redactions made to documents did not appear appropriate.
Meeting Agendas	Some entities did not prepare, post, and/or retain tentative agendas, or the agenda did not disclose specific information. Also, open meeting agendas routinely indicate the potential for a closed meeting, even when no closed meeting was planned or held.

Because of the limited objective of this report no overall rating is provided.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

Not applicable to this report.

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# Summary of State and Local Audit Findings - Sunshine Law

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Honorable Chris Koster, Attorney General  
and  
Members of the General Assembly  
Jefferson City, Missouri

This report was compiled using audit reports issued between January 2010 and December 2011 (report numbers 2010-01 through 2010-168 and 2011-01 through 2011-123). The objective of this report was to summarize recent audit issues and recommendations regarding the Sunshine Law, Chapter 610, RSMo, and other issues related to meeting minutes.

Recommendations address a variety of topics including open and closed meetings, public records, and meeting agendas. These issues were addressed in 55 reports issued between January 2010 and December 2011. Appendix A provides a list of each report, and the publication date, that included the issues presented.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA  
Director of Audits: Alice Fast, CPA, CGFM, CIA  
Audit Manager: Debra S. Lewis, CPA

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# Summary of State and Local Audit Findings - Sunshine Law

## Audit Issues

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### 1. Open Meetings

1.1 Preparation of meeting minutes	Formal minutes were not maintained for some open meetings.  Section 610.020, RSMo, provides that minutes of open meetings shall be taken and retained by the public governmental body.		
Recommendation	Ensure minutes are prepared and retained to support all open meetings.		
Report source	2011-092 2011-091 2011-009		
1.2 Detail in meeting minutes	Meeting minutes did not always include sufficient detail of matters discussed or actions taken, and many decisions were not adequately documented in the meeting minutes.  Section 610.020, RSMo, requires minutes of meetings include the date, time, place, members present, members absent, and a record of votes taken.		
Recommendation	Ensure meeting minutes include adequate detail of the issues discussed and the decisions made.		
Report source	2011-105 2011-009 2010-150	2010-089 2010-052 2010-018	2010-012 2010-007
1.3 Reasons for closing meetings	Reasons for closing meetings, the specific section of law that allows for the closed meeting, and votes regarding meeting closure were not adequately documented within the open meeting minutes.  Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.		
Recommendation	Ensure the vote to close a session is documented in open meeting minutes, along with the reason for closing the session and the specific section of law that allows the session to be closed.		



## Summary of State and Local Audit Findings - Sunshine Law Audit Issues

Report source	2011-122	2011-032	2010-126	2010-059
	2011-111	2011-029	2010-125	2010-054
	2011-105	2011-019	2010-100	2010-048
	2011-092	2011-014	2010-093	2010-036
	2011-090	2011-009	2010-091	2010-027
	2011-082	2010-155	2010-089	2010-023
	2011-068	2010-129	2010-084	2010-012
	2011-049	2010-128	2010-067	
	2011-045	2010-127	2010-065	

**1.4 Organization of minutes** Meeting minutes were not always filed in an organized manner.

The Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open meetings. Organized minutes are necessary to ensure meeting minutes comply with state law.

**Recommendation** Ensure meeting minutes are filed in an orderly manner.

**Report source** 2011-105  
2011-090  
2011-009

**1.5 Other committees and boards** The minutes and records of meetings of affiliated boards, committees, and commissions were not always prepared and approved. In addition copies of the minutes and records of the affiliated boards, committees, and commissions were not maintained by the official custodian of records of the governing body.

Section 610.020, RSMo, provides that minutes of open meetings shall be taken and retained by the public governmental body.

**Recommendation** Ensure meeting minutes are properly and timely prepared and approved for all affiliated boards, committees, and commissions and copies are maintained by the official custodian of records of the governing body.

**Report source** 2011-105 2010-161  
2011-014 2010-093  
2011-009 2010-064

**1.6 Email/telephone votes** The governing body did not comply with state law when members voted by telephone/email without a quorum of members physically present during the vote.

Section 610.015, RSMo, requires a quorum of Board members be physically present at the meeting location before any other members are allowed to participate by phone or email.



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## Summary of State and Local Audit Findings - Sunshine Law Audit Issues

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Recommendation	Comply with state law regarding telephone/email votes.			
Report source	2011-009 2010-156 2010-093 2010-012			
1.7 Open meeting	Business appeared to be conducted outside of regular open meetings.  Section 610.020, RSMo, provides that governing bodies of all political subdivisions are required to conduct business in regular open meetings. Any time a quorum of board members meet in person or by phone and transact public business, they are subject to the Sunshine Law.			
Recommendation	Ensure business of the governing body is conducted in compliance with the Sunshine Law.			
Report source	2011-106 2011-091			
1.8 Timely	Meeting minutes were not always prepared and approved in a timely manner.  To ensure all decisions are properly documented and minutes are properly maintained, all minutes should be prepared and approved timely.			
Recommendation	Ensure meeting minutes are properly and timely prepared and approved for all meetings.			
Report source	2011-105 2010-052			

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## 2. Closed Meetings

2.1 Preparation of meeting minutes	Minutes were not maintained for some closed meetings.  Section 610.020, RSMo, provides that minutes of closed meeting shall be taken and retained by the public governmental body.			
Recommendation	Ensure minutes are prepared and retained to support all closed meetings.			
Report source	2011-090 2011-068 2011-019 2011-009	2010-150 2010-148 2010-126 2010-128	2010-100 2010-084 2010-067 2010-065	2010-059 2010-054 2010-048 2010-011



## Summary of State and Local Audit Findings - Sunshine Law Audit Issues

### 2.2 Detail in meeting minutes

Closed meeting minutes did not provide sufficient details regarding discussions held and decisions made, and votes or final actions, if any, taken by the governing body during closed meetings.

Such documentation is important to both demonstrate compliance with statutory provisions and provide information for future reference should concerns or questions be raised regarding topics addressed in closed meetings. The Sunshine Law, Sections 610.020 and 610.021, RSMo, provide guidance regarding closure of meetings and documentation requirements.

### Recommendation

Ensure closed meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.

### Report source

2011-106	2010-052
2011-030	2010-037
2011-019	2010-007
2010-155	

### 2.3 Allowable topics

The governing body did not document how some issues discussed in closed meetings were allowable under state law.

### Recommendation

Ensure items discussed in closed meetings are allowed by state law.

### Report source

2011-111	2011-009	2010-093	2010-037
2011-110	2010-156	2010-091	2010-036
2011-105	2010-155	2010-089	2010-027
2011-092	2010-129	2010-065	2010-023
2011-082	2010-127	2010-064	2010-012
2011-049	2010-125	2010-054	
2011-036	2010-123	2010-051	
2011-019	2010-100	2010-048	

Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting.

### 2.4 Topics discussed

Sometimes the governing body discussed issues other than the specific reasons cited for going into a closed meeting.

Section 610.022, RSMo, requires a closed meeting, record, or vote to be held only for the specific reasons announced publicly at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reason used to justify such meeting, record, or vote.



## Summary of State and Local Audit Findings - Sunshine Law Audit Issues

Recommendation	Limit issues discussed in closed meetings to only those specific reasons cited to justify such a closed meeting.	
Report source	2011-114	2010-051
	2011-036	2010-012
	2010-058	2010-007

### 3. Public Records

**3.1 Public access policy** The government does not have adequate formal policies and procedures regarding public access to records or the policy is not in compliance with state law. The government did not maintain complete and detailed documentation to support the rates charged for the sale of copies of public records.

Section 610.026, RSMo describes the allowable fees for copying public records, and Section 610.023, RSMo, lists requirements of making records available to the public.

**Recommendation** Establish adequate written policies and procedures regarding public access to and/or copies of records to ensure compliance with state law.

Report source	2011-122	2010-093
	2011-106	2010-063
	2011-018	2010-018
	2010-064	2010-007

**3.2 Documentation of requests for records** The government did not maintain a record documenting information requests received, if any, or copies of records provided; therefore, the proper handling of any Sunshine Law information requests could not be determined.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received.

**Recommendation** Maintain a public request log to help ensure compliance with state law.

Report source	2011-014
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**3.3 Redaction** Some redactions made to documents did not appear appropriate.

To ensure compliance with the Sunshine Law, the governing body should ensure redactions to requested documents are appropriate.





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## Summary of State and Local Audit Findings - Sunshine Law Audit Issues

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Recommendation	Ensure redactions to requested documents are appropriate and in compliance with the Sunshine Law.
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Report source	2010-125
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### 4. Meeting Agendas

4.1 Agenda preparation	A tentative agenda was not prepared, posted, and/or retained for all meetings or the agenda did not disclose specific information pertaining to the upcoming meeting.
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Section 610.020, RSMo, requires public entities to give notice of the time, date, and place of each meeting, and its tentative agenda, to advise the public of matters to be considered. The notice shall be given at least 24 hours prior to the meeting.

Recommendation	Ensure proper notification and agendas for public meetings are given or reasons for any deviation are documented in the meeting minutes in accordance with state law.
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Report source	2011-049 2011-014 2010-089 2010-063 2010-058
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4.2 Meeting Notices	Open meeting notice agendas routinely used the same statement to indicate the potential for a closed meeting/session, although no closed meeting/session was planned or held.
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Section 610.022, RSMo, requires the specific reasons for closing a meeting be announced publicly at an open meeting and entered into the minutes. A statement which includes a potential issue that may be discussed in a closed session appears to circumvent the intent of the law.

Recommendation	Ensure agendas state the specific reasons for going into a closed meeting/session.
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Report source	2011-049 2010-100 2010-089	2010-063 2010-058
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# Summary of State and Local Audit Findings - Sunshine Law

## Appendix A

### Audit Reports

Report Number	Title	Publication Date
2010-007	Platte County Public Water Supply District #6	January 2010
2010-011	Economic Development/Public Service Commission	January 2010
2010-012	Taney County Ambulance District	January 2010
2010-018	Village of Leawood	January 2010
2010-023	City of Curryville	February 2010
2010-027	Webster County	February 2010
2010-036	Santa Fe R-X School District	March 2010
2010-037	City of Pleasant Valley	March 2010
2010-048	Dallas County	April 2010
2010-051	Perry County	May 2010
2010-052	Stoddard County	May 2010
2010-054	City of Clever	May 2010
2010-058	City of Levasy	May 2010
2010-059	Consolidated Public Water Supply District #4 of Clinton County	May 2010
2010-063	Public Water Supply District #1 of Caldwell County	June 2010
2010-064	City of Richmond	June 2010
2010-065	Mercer County	June 2010
2010-067	City of Wyaconda	June 2010
2010-084	Lewis County	July 2010
2010-089	City of New Florence	July 2010
2010-091	City of Florissant	August 2010
2010-093	City of Deepwater	August 2010
2010-100	City of Clarksville	August 2010
2010-123	City of Marionville	October 2010
2010-125	Higher Education/Missouri State University	October 2010
2010-126	St. Louis Regional Convention and Sports Complex Authority	October 2010
2010-127	Lincoln County	October 2010
2010-128	Department of Transportation and Highway Patrol Employees' Retirement System	October 2010
2010-129	Andrew County Ambulance District	October 2010
2010-148	Economic Development/Missouri Technology Corporation	November 2010
2010-150	Barry County	November 2010
2010-155	City of Willard	December 2010
2010-156	Laclede County	December 2010
2010-161	Public Safety/Office of Adjutant General	December 2010
2011-009	Village of Indian Point	March 2011
2011-014	City of University City	April 2011
2011-018	Department of Revenue/Administrative Functions	May 2011
2011-019	Village of Bull Creek	May 2011
2011-029	City of Pine Lawn	June 2011
2011-030	Warren County	June 2011
2011-032	City of Lowry City	July 2011
2011-036	City of Neosho	July 2011



Summary of State and Local Audit Findings - Sunshine Law  
Appendix A  
Audit Reports

Report Number	Title	Publication Date
2011-045	Douglas County	August 2011
2011-049	Ray County	September 2011
2011-068	Monroe County	September 2011
2011-082	Kansas City 33 School District	October 2011
2011-090	City of Howardville	October 2011
2011-091	Dunklin County	October 2011
2011-092	Village of Rayville	November 2011
2011-105	City of Lanagan	November 2011
2011-106	City of Mountain Grove	November 2011
2011-110	Pulaski County	December 2011
2011-111	Board of Election Commissioners, City of St. Louis	December 2011
2011-114	Jackson County Sports Complex Authority	December 2011
2011-122	Village of Riverview	December 2011

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# Summary of State and Local Audit Findings - Sunshine Law

## Appendix B

### Chapter 610 Governmental Bodies and Records

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#### **Notice of meetings, when required--recording of meetings to be allowed, guidelines, penalty--accessibility of meetings--minutes of meetings to be kept, content--voting records to be included**

610.020. 1. All public governmental bodies shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of the matters to be considered, and if the meeting will be conducted by telephone or other electronic means, the notice of the meeting shall identify the mode by which the meeting will be conducted and the designated location where the public may observe and attend the meeting. If a public body plans to meet by Internet chat, Internet message board, or other computer link, it shall post a notice of the meeting on its web site in addition to its principal office and shall notify the public how to access that meeting. Reasonable notice shall include making available copies of the notice to any representative of the news media who requests notice of meetings of a particular public governmental body concurrent with the notice being made available to the members of the particular governmental body and posting the notice on a bulletin board or other prominent place which is easily accessible to the public and clearly designated for that purpose at the principal office of the body holding the meeting, or if no such office exists, at the building in which the meeting is to be held.

2. Notice conforming with all of the requirements of subsection 1 of this section shall be given at least twenty-four hours, exclusive of weekends and holidays when the facility is closed, prior to the commencement of any meeting of a governmental body unless for good cause such notice is impossible or impractical, in which case as much notice as is reasonably possible shall be given. Each meeting shall be held at a place reasonably accessible to the public and of sufficient size to accommodate the anticipated attendance by members of the public, and at a time reasonably convenient to the public, unless for good cause such a place or time is impossible or impractical. Every reasonable effort shall be made to grant special access to the meeting to handicapped or disabled individuals.

3. A public body shall allow for the recording by audiotape, videotape, or other electronic means of any open meeting. A public body may establish guidelines regarding the manner in which such recording is conducted so as to minimize disruption to the meeting. No audio recording of any meeting, record, or vote closed pursuant to the provisions of section 610.021 shall be permitted without permission of the public body; any person who violates this provision shall be guilty of a class C misdemeanor.

4. When it is necessary to hold a meeting on less than twenty-four hours' notice, or at a place that is not reasonably accessible to the public, or at a time that is not reasonably convenient to the public, the nature of the good cause justifying that departure from the normal requirements shall be stated in the minutes.

5. A formally constituted subunit of a parent governmental body may conduct a meeting without notice as required by this section during a lawful



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Summary of State and Local Audit Findings - Sunshine Law  
Appendix B  
Chapter 610 Governmental Bodies and Records

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meeting of the parent governmental body, a recess in that meeting, or immediately following that meeting, if the meeting of the subunit is publicly announced at the parent meeting and the subject of the meeting reasonably coincides with the subjects discussed or acted upon by the parent governmental body.

6. If another provision of law requires a manner of giving specific notice of a meeting, hearing or an intent to take action by a governmental body, compliance with that section shall constitute compliance with the notice requirements of this section.

7. A journal or minutes of open and closed meetings shall be taken and retained by the public governmental body, including, but not limited to, a record of any votes taken at such meeting. The minutes shall include the date, time, place, members present, members absent and a record of any votes taken. When a roll call vote is taken, the minutes shall attribute each "yea" and "nay" vote or abstinence if not voting to the name of the individual member of the public governmental body.

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**Closed meetings and  
closed records authorized  
when, exceptions, sunset  
dates for certain  
exceptions**

610.021. Except to the extent disclosure is otherwise required by law, a public governmental body is authorized to close meetings, records and votes, to the extent they relate to the following:

(1) Legal actions, causes of action or litigation involving a public governmental body and any confidential or privileged communications between a public governmental body or its representatives and its attorneys. However, any minutes, vote or settlement agreement relating to legal actions, causes of action or litigation involving a public governmental body or any agent or entity representing its interests or acting on its behalf or with its authority, including any insurance company acting on behalf of a public government body as its insured, shall be made public upon final disposition of the matter voted upon or upon the signing by the parties of the settlement agreement, unless, prior to final disposition, the settlement agreement is ordered closed by a court after a written finding that the adverse impact to a plaintiff or plaintiffs to the action clearly outweighs the public policy considerations of section 610.011, however, the amount of any moneys paid by, or on behalf of, the public governmental body shall be disclosed; provided, however, in matters involving the exercise of the power of eminent domain, the vote shall be announced or become public immediately following the action on the motion to authorize institution of such a legal action. Legal work product shall be considered a closed record;

(2) Leasing, purchase or sale of real estate by a public governmental body where public knowledge of the transaction might adversely affect the legal consideration therefor. However, any minutes, vote or public record approving a contract relating to the leasing, purchase or sale of real estate by



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Summary of State and Local Audit Findings - Sunshine Law  
Appendix B  
Chapter 610 Governmental Bodies and Records

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a public governmental body shall be made public upon execution of the lease, purchase or sale of the real estate;

(3) Hiring, firing, disciplining or promoting of particular employees by a public governmental body when personal information about the employee is discussed or recorded. However, any vote on a final decision, when taken by a public governmental body, to hire, fire, promote or discipline an employee of a public governmental body shall be made available with a record of how each member voted to the public within seventy-two hours of the close of the meeting where such action occurs; provided, however, that any employee so affected shall be entitled to prompt notice of such decision during the seventy-two-hour period before such decision is made available to the public. As used in this subdivision, the term "personal information" means information relating to the performance or merit of individual employees;

(4) The state militia or national guard or any part thereof;

(5) Nonjudicial mental or physical health proceedings involving identifiable persons, including medical, psychiatric, psychological, or alcoholism or drug dependency diagnosis or treatment;

(6) Scholastic probation, expulsion, or graduation of identifiable individuals, including records of individual test or examination scores; however, personally identifiable student records maintained by public educational institutions shall be open for inspection by the parents, guardian or other custodian of students under the age of eighteen years and by the parents, guardian or other custodian and the student if the student is over the age of eighteen years;

(7) Testing and examination materials, before the test or examination is given or, if it is to be given again, before so given again;

(8) Welfare cases of identifiable individuals;

(9) Preparation, including any discussions or work product, on behalf of a public governmental body or its representatives for negotiations with employee groups;

(10) Software codes for electronic data processing and documentation thereof;

(11) Specifications for competitive bidding, until either the specifications are officially approved by the public governmental body or the specifications are published for bid;



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Summary of State and Local Audit Findings - Sunshine Law  
Appendix B  
Chapter 610 Governmental Bodies and Records

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(12) Sealed bids and related documents, until the bids are opened; and sealed proposals and related documents or any documents related to a negotiated contract until a contract is executed, or all proposals are rejected;

(13) Individually identifiable personnel records, performance ratings or records pertaining to employees or applicants for employment, except that this exemption shall not apply to the names, positions, salaries and lengths of service of officers and employees of public agencies once they are employed as such, and the names of private sources donating or contributing money to the salary of a chancellor or president at all public colleges and universities in the state of Missouri and the amount of money contributed by the source;

(14) Records which are protected from disclosure by law;

(15) Meetings and public records relating to scientific and technological innovations in which the owner has a proprietary interest;

(16) Records relating to municipal hotlines established for the reporting of abuse and wrongdoing;

(17) Confidential or privileged communications between a public governmental body and its auditor, including all auditor work product; however, all final audit reports issued by the auditor are to be considered open records pursuant to this chapter;

\*(18) Operational guidelines and policies developed, adopted, or maintained by any public agency responsible for law enforcement, public safety, first response, or public health for use in responding to or preventing any critical incident which is or appears to be terrorist in nature and which has the potential to endanger individual or public safety or health. Nothing in this exception shall be deemed to close information regarding expenditures, purchases, or contracts made by an agency in implementing these guidelines or policies. When seeking to close information pursuant to this exception, the agency shall affirmatively state in writing that disclosure would impair its ability to protect the safety or health of persons, and shall in the same writing state that the public interest in nondisclosure outweighs the public interest in disclosure of the records. This exception shall sunset on December 31, 2012;

\*(19) Existing or proposed security systems and structural plans of real property owned or leased by a public governmental body, and information that is voluntarily submitted by a nonpublic entity owning or operating an infrastructure to any public governmental body for use by that body to devise plans for protection of that infrastructure, the public disclosure of which would threaten public safety;



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Summary of State and Local Audit Findings - Sunshine Law  
Appendix B  
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(a) Records related to the procurement of or expenditures relating to security systems purchased with public funds shall be open;

(b) When seeking to close information pursuant to this exception, the public governmental body shall affirmatively state in writing that disclosure would impair the public governmental body's ability to protect the security or safety of persons or real property, and shall in the same writing state that the public interest in nondisclosure outweighs the public interest in disclosure of the records;

(c) Records that are voluntarily submitted by a nonpublic entity shall be reviewed by the receiving agency within ninety days of submission to determine if retention of the document is necessary in furtherance of a state security interest. If retention is not necessary, the documents shall be returned to the nonpublic governmental body or destroyed;

(d) This exception shall sunset on December 31, 2012;

(20) Records that identify the configuration of components or the operation of a computer, computer system, computer network, or telecommunications network, and would allow unauthorized access to or unlawful disruption of a computer, computer system, computer network, or telecommunications network of a public governmental body. This exception shall not be used to limit or deny access to otherwise public records in a file, document, data file or database containing public records. Records related to the procurement of or expenditures relating to such computer, computer system, computer network, or telecommunications network, including the amount of moneys paid by, or on behalf of, a public governmental body for such computer, computer system, computer network, or telecommunications network shall be open;

(21) Credit card numbers, personal identification numbers, digital certificates, physical and virtual keys, access codes or authorization codes that are used to protect the security of electronic transactions between a public governmental body and a person or entity doing business with a public governmental body. Nothing in this section shall be deemed to close the record of a person or entity using a credit card held in the name of a public governmental body or any record of a transaction made by a person using a credit card or other method of payment for which reimbursement is made by a public governmental body; and

(22) Records submitted by an individual, corporation, or other business entity to a public institution of higher education in connection with a proposal to license intellectual property or perform sponsored research and which contains sales projections or other business plan information the disclosure of which may endanger the competitiveness of a business.

\*Subdivisions 18 and 19 of this section sunset December 31, 2012.





Summary of State and Local Audit Findings - Sunshine Law  
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**Closed meetings, procedure and limitation--public records presumed open unless exempt--objections to closing meetings or records, procedure.**

610.022. 1. Except as set forth in subsection 2 of this section, no meeting or vote may be closed without an affirmative public vote of the majority of a quorum of the public governmental body. The vote of each member of the public governmental body on the question of closing a public meeting or vote and the specific reason for closing that public meeting or vote by reference to a specific section of this chapter shall be announced publicly at an open meeting of the governmental body and entered into the minutes.

2. A public governmental body proposing to hold a closed meeting or vote shall give notice of the time, date and place of such closed meeting or vote and the reason for holding it by reference to the specific exception allowed pursuant to the provisions of section 610.021. Such notice shall comply with the procedures set forth in section 610.020 for notice of a public meeting.

3. Any meeting or vote closed pursuant to section 610.021 shall be closed only to the extent necessary for the specific reason announced to justify the closed meeting or vote. Public governmental bodies shall not discuss any business in a closed meeting, record or vote which does not directly relate to the specific reason announced to justify the closed meeting or vote. Public governmental bodies holding a closed meeting shall close only an existing portion of the meeting facility necessary to house the members of the public governmental body in the closed session, allowing members of the public to remain to attend any subsequent open session held by the public governmental body following the closed session.

4. Nothing in sections 610.010 to 610.028 shall be construed as to require a public governmental body to hold a closed meeting, record or vote to discuss or act upon any matter.

5. Public records shall be presumed to be open unless otherwise exempt pursuant to the provisions of this chapter.

6. In the event any member of a public governmental body makes a motion to close a meeting, or a record, or a vote from the public and any other member believes that such motion, if passed, would cause a meeting, record or vote to be closed from the public in violation of any provision in this chapter, such latter member shall state his or her objection to the motion at or before the time the vote is taken on the motion. The public governmental body shall enter in the minutes of the public governmental body any objection made pursuant to this subsection. Any member making such an objection shall be allowed to fully participate in any meeting, record or vote that is closed from the public over the member's objection. In the event the objecting member also voted in opposition to the motion to close the meeting, record or vote at issue, the objection and vote of the member as entered in the minutes shall be an absolute defense to any claim filed against the objecting member pursuant to section 610.027.



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**Records of governmental bodies to be in care of custodian, duties--records may be copied but not removed, exception, procedure--denial of access, procedure**

610.023. 1. Each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records. The identity and location of a public governmental body's custodian is to be made available upon request.

2. Each public governmental body shall make available for inspection and copying by the public of that body's public records. No person shall remove original public records from the office of a public governmental body or its custodian without written permission of the designated custodian. No public governmental body shall, after August 28, 1998, grant to any person or entity, whether by contract, license or otherwise, the exclusive right to access and disseminate any public record unless the granting of such right is necessary to facilitate coordination with, or uniformity among, industry regulators having similar authority.

3. Each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records of a public governmental body. If records are requested in a certain format, the public body shall provide the records in the requested format, if such format is available. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection. This period for document production may exceed three days for reasonable cause.

4. If a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied and shall be furnished to the requester no later than the end of the third business day following the date that the request for the statement is received.

**Electronic transmission of messages relating to public business, requirements**

610.025. Any member of a public governmental body who transmits any message relating to public business by electronic means shall also concurrently transmit that message to either the member's public office computer or the custodian of records in the same format. The provisions of this section shall only apply to messages sent to two or more members of that body so that, when counting the sender, a majority of the body's members are copied. Any such message received by the custodian or at the member's office computer shall be a public record subject to the exceptions of section 610.021.



Summary of State and Local Audit Findings - Sunshine Law  
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**Fees for copying public records, limitations--fee money remitted to whom--tax, license or fee as used in Missouri Constitution article X, section 22, not to include copying fees.**

610.026. 1. Except as otherwise provided by law, each public governmental body shall provide access to and, upon request, furnish copies of public records subject to the following:

(1) Fees for copying public records, except those records restricted under section 32.091, RSMo, shall not exceed ten cents per page for a paper copy not larger than nine by fourteen inches, with the hourly fee for duplicating time not to exceed the average hourly rate of pay for clerical staff of the public governmental body. Research time required for fulfilling records requests may be charged at the actual cost of research time. Based on the scope of the request, the public governmental body shall produce the copies using employees of the body that result in the lowest amount of charges for search, research, and duplication time. Prior to producing copies of the requested records, the person requesting the records may request the public governmental body to provide an estimate of the cost to the person requesting the records. Documents may be furnished without charge or at a reduced charge when the public governmental body determines that waiver or reduction of the fee is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the public governmental body and is not primarily in the commercial interest of the requester;

(2) Fees for providing access to public records maintained on computer facilities, recording tapes or disks, videotapes or films, pictures, maps, slides, graphics, illustrations or similar audio or visual items or devices, and for paper copies larger than nine by fourteen inches shall include only the cost of copies, staff time, which shall not exceed the average hourly rate of pay for staff of the public governmental body required for making copies and programming, if necessary, and the cost of the disk, tape, or other medium used for the duplication. Fees for maps, blueprints, or plats that require special expertise to duplicate may include the actual rate of compensation for the trained personnel required to duplicate such maps, blueprints, or plats. If programming is required beyond the customary and usual level to comply with a request for records or information, the fees for compliance may include the actual costs of such programming.

2. Payment of such copying fees may be requested prior to the making of copies.

3. Except as otherwise provided by law, each public governmental body of the state shall remit all moneys received by or for it from fees charged pursuant to this section to the director of revenue for deposit to the general revenue fund of the state.

4. Except as otherwise provided by law, each public governmental body of a political subdivision of the state shall remit all moneys received by it or for it from fees charged pursuant to sections 610.010 to 610.028 to the



Summary of State and Local Audit Findings - Sunshine Law  
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appropriate fiscal officer of such political subdivision for deposit to the governmental body's accounts.

5. The term "tax, license or fees" as used in section 22 of article X of the Constitution of the state of Missouri does not include copying charges and related fees that do not exceed the level necessary to pay or to continue to pay the costs for providing a service, program, or activity which was in existence on November 4, 1980, or which was approved by a vote of the people subsequent to November 4, 1980.



**Thomas A. Schweich**  
Missouri State Auditor

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# Audrain County Collector and Property Tax System



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**March 2012**  
**Report No. 2012-18**

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Audrain County Collector and Property Tax System

Background	Section 52.150, RSMo, requires the State Auditor to audit the office of a County Collector after being notified of a vacancy in that office. A vacancy occurred in the office of the County Collector of Audrain County on November 9, 2011. The scope of our audit included, but was not necessarily limited to, the year ended February 28, 2011, and the period of March 1, 2011 to November 9, 2011.
Property Tax System Controls and Procedures	As noted in prior audits of Audrain County, significant weaknesses existed in the property tax system's controls and procedures, making it difficult to ensure property tax monies have been accounted for properly. Neither the County Commission nor the County Clerk adequately reviewed the County Collector's activities, and the County Clerk's account book did not contain sufficient information to allow it to be reconciled to the County Collector's annual settlements. Although the County Commission reviewed total addition and abatement amounts each month, this review was not documented and the individual court orders were not reviewed.
County Collector's Controls and Procedures	The County Collector did not compare reconciled bank account balances to existing liabilities, and the cash balance as of October 31, 2011, exceeded the list of liabilities by \$278. At our request, the current Collector reviewed the credit card account and the partial payment account and found the credit card account had an unidentified excess of \$905, and the partial pay account had approximately \$1,000 that cannot be attributed to specific taxpayers. A similar condition was noted in the prior audit report.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Audrain County Collector did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Audrain County Collector and Property Tax System

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
County Collector  
Audrain County, Missouri

We have audited the County Collector and Property Tax System of Audrain County. Section 52.150, RSMo, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. On November 9, 2011, a vacancy occurred in the office of the County Collector of Audrain County. A successor was appointed and sworn into office effective December 28, 2011. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2011, to November 9, 2011, and the year ended February 28, 2011. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and county management and was not subjected to the procedures applied in our audit of the County Collector and property tax system.



Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owing to the county or the former County Collector. For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector and Property Tax System of Audrain County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Matthew Schulenberg, CFE

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# Audrain County Collector and Property Tax System Management Advisory Report State Auditor's Findings

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## **1. Property Tax System Controls and Procedures**

Prior audits of Audrain County have addressed the inadequacy of controls and procedures over the property tax system. Although some improvement was made, significant weaknesses still exist. As a result of the control weaknesses identified, there is insufficient assurance property tax monies have been accounted for properly.

Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector. The County Clerk maintains an account book to record the amounts collected and distributed as reflected on the monthly settlements prepared by the County Collector. However, the account book does not indicate the total charges, additions, abatements, and delinquent credits, and therefore, cannot be adequately reconciled to the County Collector's annual settlements. Although the County Commission reviews total addition and abatement amounts each month, this review is not documented and the individual court orders are not reviewed. In addition, no evidence was provided to indicate procedures are performed by the County Commission to verify the County Collector's monthly or annual settlements.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements and ensure additions and abatements have been properly recorded in the property tax system.

## **Recommendation**

The County Clerk maintain a complete account book with the County Collector, including charges, additions, abatements, and delinquent credits. The County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.

## **Auditee's Response**

*The County Commission, County Clerk, and County Collector provided the following response:*

*The County Commission will receive a detailed report of additions and abatements from the Assessor each month and will review it. The County Clerk intends to set up a spreadsheet in Excel to include additions and abatements, charges, and collections and will reconcile monthly with the County Collector. The County Collector will print the delinquent tax book monthly.*



Audrain County Collector and Property Tax System  
Management Advisory Report - State Auditor's Finding

## 2. County Collector's Controls and Procedures

The County Collector does not compare reconciled bank account balances to existing liabilities. The County Collector distributes collections monthly, except for interest earnings and surtax that are distributed annually. The reconciled cash balance of the main bank account as of October 31, 2011, totaled \$73,581. We prepared a list of liabilities as of October 31, 2011, and the list totaled \$73,303, \$278 less than the cash balance. In addition, upon our request, the Collector's office attempted to prepare lists of liabilities for the credit card and partial payment accounts. The credit card account had unidentified excess monies of \$905, and the partial pay account had approximately \$1,000 that cannot be identified to the appropriate taxpayers.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances.

A similar condition was noted in the prior audit report.

## Recommendation

The County Collector reconcile assets to liabilities for all accounts on a monthly basis.

## Auditee's Response

*The County Collector provided the following response:*

*I will reconcile assets to liabilities on a monthly basis. The main account was out of balance \$178 in January 2012.*

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# Audrain County Collector and Property Tax System

## Organization and Statistical Information

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The County Collector bills and collects property taxes for the county and most local governments. Pursuant to Section 52.015, RSMo, the term for which collectors are elected expires on the first Monday in March of the year in which they are required to make their last final settlement for the tax book collected by them. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

Diana Rennick served as County Collector until November 9, 2011. Catherine Zinkel was appointed the Audrain County Collector and sworn into office on December 28, 2011.

The former County Collector received compensation of \$33,112 for the period of March 1, 2011, to November 9, 2011. During the year ended February 28, 2011, the former County Collector received compensation of \$52,188; which included \$5,800 in compensation for the collection of city tax bills. Compensation was in accordance with statutory provisions.

### American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

The Audrain County Collector did not receive any federal stimulus monies during the period of March 1, 2011, to November 9, 2011, and the year ended February 28, 2011.



# Thomas A. Schweich

Missouri State Auditor

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## DeKalb County



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March 2012

Report No. 2012-17

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of DeKalb County

Financial Condition and County Budget	The General Revenue Fund is in poor financial condition, and several potential liabilities including courthouse repairs and the declining financial condition of the jail, could negatively impact the county's finances. The county did not properly reduce the general revenue property tax levy in past years and must continue to reduce the levy to zero to make up for past excess collections. The County Commission does not review budget-to-actual reports and overspent the General Revenue Fund budget in 2010 by approximately \$32,000.
Daviess-DeKalb Regional Jail	The Daviess-DeKalb Regional Jail District Commission has not provided adequate oversight of jail operations. As a result, the financial condition of the jail operation is declining, and management of the jail needs improvement. As of December 31, 2011, an investigation was still ongoing into accounting irregularities and possible misappropriation of assets during the term of the former jail administrator, so our audit focused on more current policies and procedures. The jail's ending balance declined from \$2,870,401 in 2008 to \$1,228,680 in 2011, due largely to a reduction in receipts, but the jail has not analyzed whether rates to house and transport outside prisoners are adequate. As noted in our prior report, budget documents were incomplete, the commission did not receive and review accurate financial information, accounting duties were not adequately segregated, monthly bank reconciliations were not performed, and the outstanding items list for the commissary account was overstated and inaccurate. Documentation of sick and vacation leave accrued and used by salaried jail employees was not maintained. Capital assets were not maintained properly, making it difficult to ensure assets are safeguarded.
Property Tax System	Neither the County Commission nor the County Clerk reviewed the activities of the County Collector-Treasurer, so the county lacks intended checks and balances. The County Clerk did not prepare or verify the accuracy of the current or delinquent tax books, as required by state law. The County Clerk did not reconcile court orders for additions and abatements to actual changes made to the property tax system, and errors or irregularities could go undetected.
Prosecuting Attorney	Accounting duties were not adequately segregated, and the Prosecuting Attorney did not adequately oversee financial functions and records. Bank reconciliations and liability lists were not prepared from September 2009 to August 2011 for the main account until requested by audit staff.

Public Administrator	The Public Administrator did not file annual settlements timely. Our review of three wards noted that the two annual settlements due in 2010 were late (one by 3 months and the other by 7 months). Neither the Associate Circuit Court nor the Public Administrator adequately reviewed the annual settlements, and errors went undetected. In one instance a \$25,000 life insurance policy was not reported, and in another real estate valued at \$115,000 was omitted. The Public Administrator did not always prepare and submit documentation to support fees charged to wards. The Associate Circuit Judge disallowed fees in such cases, which decreased the amount of fees paid to the county General Revenue Fund.
Additional Comments	Because counties are managed by several separately-elected individuals, an audit finding made with respect to one office does not necessarily apply to the operations in another office. The overall rating assigned to the county is intended to reflect the performance of the county as a whole. It does not indicate the performance of any one elected official or county office.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	DeKalb County received a \$10,052 Recovery Act-Edward Byrne Memorial Justice Assistance Grant, \$6,991 of which it spent in 2010 on a boat and motor and water rescue equipment for the Sheriff's department. As of September 19, 2011, the county had not spent or returned the remaining \$3,061.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the County Commission  
and  
Officeholders of DeKalb County

We have audited certain operations of DeKalb County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock and Associates, Certified Public Accountants, was engaged to audit the financial statements of DeKalb County for the 2 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures.

The accompanying Management Advisory Report presents our findings arising from our audit of DeKalb County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Robert E. Showers, CPA, CGAP
In-Charge Auditor:	Richard Stuck
Audit Staff:	Lori Bryant
	Nathaniel Fast, M.Acct., CPA
	Karla Swift, MBA

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# DeKalb County Management Advisory Report State Auditor's Findings

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## 1. Financial Condition and County Budget

The General Revenue Fund is in poor financial condition. The county did not properly report property tax reductions, and in prior years, property tax reductions have not been sufficient. The County Commission does not adequately monitor the status of the county budget throughout the year.

### 1.1 Financial condition

The county has historically maintained a low General Revenue Fund balance. As a result of the low fund balance, several potential liabilities could result in a significant strain on the county's financial condition. The following table reflects actual receipts, disbursements, and ending cash balances of the General Revenue Fund over the last 4 years, as reported in county budget documents:

	Year Ended December 31,			
	2011	2010	2009	2008
Beginning balance \$	130,015	71,816	53,027	108,992
Receipts	1,569,535	1,444,477	1,360,876	1,443,884
Disbursements	1,608,422	1,386,278	1,342,087	1,499,849
Ending balance \$	91,128	130,015	71,816	53,027

The county courthouse is in need of repair as a result of a major roof leak which caused significant damage during 2011. The County Commission has approved a loan of approximately \$38,000 from the Road and Bridge Fund for courthouse repairs. While the county has an agreement to pay this money back to the Road and Bridge Fund, Road and Bridge Funds are restricted for certain purposes per Section 137.555, RSMo. In addition, the declining financial condition of the jail (see MAR finding number 2) could potentially impact the financial condition of the General Revenue Fund. In addition, the County Commission's ability to generate additional property tax revenue is limited (see section 1.2).

It is essential the County Commission address the county's financial condition both in the immediate and long-term future. Reducing spending where possible, evaluating controls and management practices to ensure efficient use of county resources, maximizing all sources of revenue, and closely monitoring county budgets (see section 1.3) are necessary to improve the county's financial condition.

### 1.2 Property tax reductions

In prior years, the county did not adequately reduce the general revenue property tax levy and as a result, must now reduce the levy to zero to recoup excess collections from prior years. According to our prior audit, the county had collected \$153,613 more in property taxes through 2005 than allowed by statute. Although the county has reduced the general revenue property tax assessment to zero since 2006 and has made progress toward reducing the excess, additional reductions of approximately \$104,000 are still needed as of December 31, 2010.



## DeKalb County Management Advisory Report - State Auditor's Findings

In addition, the former County Clerk did not properly certify the property tax levy to the State Auditor's office. The county certification mistakenly classified the 2010 reduction amounts as voluntary reductions rather than sales tax related. As a result, the tax rate ceiling for the General Revenue Fund was initially lowered for 2011, in accordance with Section 137.073.5 (4), RSMo. Such a reduction would further limit the county's ability to correct the excess property tax collections from prior years. After we brought this to the attention of the County Clerk, she filed an amended property tax form, and necessary corrections were made by the State Auditor's office to reinstate the county's tax rate ceiling for 2011 so any property tax reductions in 2011 will count towards the statutorily required reduction.

To ensure property tax levies are properly set in compliance with Section 67.505, RSMo, and property tax ceilings are maintained, the County Clerk should ensure property tax levies are adequately reduced to recoup prior years excess, and the property tax levy reductions are accurately classified when reported to the State Auditor's office.

### 1.3 Budget oversight

The County Commission does not review budget-to-actual reports to adequately monitor the status of the county budget, and as a result, during 2010, General Revenue Fund budgeted amounts were overspent by approximately \$32,000, in addition to lesser amounts in the Assessment Fund and the ACCD 911 Fund. In addition, transfers are not properly tracked. Transfers in and transfers out do not reconcile between funds in both the county's record of actual activity and budgeted activity. Similar conditions were also noted in the county's most recent independent financial statement audit.

Budget documents are an essential tool for the efficient management of county finances. Actively utilizing budget-to-actual status reports when making spending decisions is necessary to improve the effectiveness of the budgets as a planning tool and ensure compliance with state law. Proper budgeting and reporting also assists in monitoring the county's financial condition.

## Recommendations

The County Commission:

- 1.1 Closely monitor the county's financial condition and take the necessary steps to improve the financial condition of the General Revenue Fund.
- 1.2 Adequately reduce property tax levies for 50 percent of sales tax revenue and properly distinguish between sales tax and voluntary reductions on certified property tax forms.



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Management Advisory Report - State Auditor's Findings

1.3 Regularly monitor the status of the county budgets.

## Auditee's Response

*The County Commission provided the following written responses:*

1.1 *The Commission will work closely with the County Clerk to keep on top of the condition of the County and work on steps to improve the financial condition of the County.*

1.2 *The Commission and County Clerk will work hard to comply with the recommendations of the Missouri State Auditor.*

1.3 *The Commission will monitor the financial status of the county more closely and make sure that the overall county finances are effectively managed.*

## 2. Daviess-DeKalb Regional Jail

The Daviess-DeKalb Regional Jail District Commission has not provided adequate oversight of jail operations. As a result, the financial condition of the jail operation is declining, and management of the jail is in need of improvement.

The citizens of DeKalb and Daviess Counties approved a half-cent sales tax in November 2005, to provide regional jail services and court facilities and equipment for the two counties. Sales tax receipts were \$864,422 in 2010, and \$854,995 in 2009. A four member commission consisting of the presiding commissioner and sheriff from both counties oversees jail operations.

In January 2011, the jail administrator was terminated after accounting irregularities and possible misappropriation of assets were identified. The jail commission hired an external investigator to review the activities of the past jail administration and provide information to the Daviess County Prosecuting Attorney for any potential prosecution. Due to the ongoing investigation during our fieldwork, our audit focused on current policies and procedures of the jail. As of December 31, 2011, the investigation was still ongoing and no charges had been filed. The jail commission also hired a Certified Public Accountant to perform a financial statement audit of the jail.

### 2.1 Financial condition

The financial condition of the jail operation is declining. The following table reflects receipts, disbursements, and the ending cash balances of the jail operating account according to budget-to-actual reports provided by jail officials. The amounts are not audited.



DeKalb County  
Management Advisory Report - State Auditor's Findings

	Year Ended December 31,			
	2011	2010	2009	2008
Beginning balance \$	1,847,794	2,332,307	2,870,401	2,390,434
Receipts	2,471,616	2,024,585	2,015,716	3,705,651
Disbursements	3,090,731	2,509,098	2,553,810	3,225,684
Ending balance \$	1,228,680	1,847,794	2,332,307	2,870,401

The primary reason for the jail operation's declining financial condition is the reduction of approximately \$1.5 million in prisoner receipts from 2008 to 2009 as a result of several large law enforcement agencies no longer using the jail. Sales tax receipts have also declined slightly as a result of economic conditions. In addition, the jail commission has not conducted a cost analysis to determine if the rate currently charged to house and transport outside prisoners is adequate to cover costs. Based on financial data and trends from 2008 through 2011, the jail should be able to maintain operations at current operating levels for roughly 2 years before becoming insolvent.

The jail commission must address the declining financial condition of the jail both in the immediate and long-term future. Reducing spending where possible, maximizing all sources of revenue, and improving the oversight of budgets and financial information (see section 2.2) are necessary to improve the jail's financial condition.

## 2.2 Budget procedures

The jail commission's oversight of the financial operations of the jail, including the oversight of budget procedures, is not adequate. Budget documents were incomplete and significantly understated both expected receipts and disbursements. In addition, the commission did not receive and review accurate financial information which would assist in effectively monitoring cash balances.

Budget estimates did not include sales tax receipts and bond principal and interest payments. In total, actual disbursements for 2011 exceeded budgeted expenses by approximately \$1.4 million (184 percent). In addition, budget documents did not include a beginning cash balance and a projected ending cash balance. Without accurate budget-to-actual information and projected ending cash balance information, the jail commission cannot effectively monitor the financial operations of the jail.

The taxpayers of DeKalb and Daviess Counties voted to make a significant financial investment in the jail. It is the responsibility of the jail commission to protect that investment by providing adequate oversight of jail financial operations. Adequate oversight includes ensuring budget documents are complete and provide a reasonable estimate of jail activities for the coming year and monitoring the status of the budget on an ongoing basis.



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DeKalb County  
Management Advisory Report - State Auditor's Findings

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## 2.3 Segregation of duties

Duties are not adequately segregated, and supervisory reviews of financial records by the jail administrator are not adequate. The duties of receiving, recording, depositing, and disbursing operating monies are the responsibility of one clerk. Another clerk has the duties of receiving, recording, depositing, and disbursing monies for commissary activities and the bond account.

Oversight of these activities by the jail administrator and commission is generally limited to signing checks. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented by the jail administrator and commission.

## 2.4 Bank reconciliations

Monthly bank reconciliations were not prepared and compared to the book balance for the commissary account. In addition, the outstanding items list for the commissary account is overstated and inaccurate. Commissary records contain a significant number of old outstanding items, including old deposits in transit and old checks, some dating back to before the commission took possession of the jail. Our review determined many items from these old lists, including all of the deposits still listed as in transit, had actually cleared the bank and should not be on the outstanding items list. As of July 2011, the commissary account bank balance was \$30,208.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors in a timely manner. Without reconciliation procedures, there is less assurance receipts and disbursements are properly handled and recorded. A detailed list of outstanding items should be maintained and documented to support the amount indicated on the bank reconciliation, and to allow for procedures to routinely follow up on outstanding checks to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law.

## 2.5 Salaried employees

Leave records are not maintained for salaried employees (jail administrator, assistant jail administrator, and jail supervisor). As a result, there is no documentation of sick and vacation leave accrued, used, and accumulated.

Leave reports should include documentation of supervisory approval to ensure leave use is authorized and to help ensure leave balances are accurate. Leave records are beneficial in demonstrating compliance with board policy and the requirements of the Fair Labor Standards Act of 1938.

## 2.6 Capital assets

The regional jail does not maintain records of capital assets, including land, buildings, vehicles, equipment, and furniture. In addition, property items are not tagged for specific identification, and an annual physical inventory is not performed. Written authorization is not obtained from the commission



## DeKalb County Management Advisory Report - State Auditor's Findings

for the disposition of capital assets. As a result, assets are more susceptible to theft or misuse.

Adequate capital asset records are necessary to secure better internal controls and safeguard jail assets against loss, theft, or misuse, and provide a basis for determining proper insurance coverage. Annual physical inventories are necessary to ensure asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Written authorization for the disposal of property is necessary to reduce the possibility of misuse and to provide adequate support for changes to the capital asset records.

Similar conditions  
previously reported

Conditions similar to sections 2.2, 2.3 and 2.4 were noted in our prior report.

## Recommendations

The Daviess-DeKalb Regional Jail Commission:

- 2.1 Closely monitor the financial activity of the jail and take steps to improve its financial condition. The commission should also develop a long term financial plan for the jail and consider performing a cost analysis to ensure revenues generated from housing prisoners are sufficient to cover costs.
- 2.2 Improve oversight, budgeting, and financial reporting of jail operations.
- 2.3 Adequately segregate accounting duties to the extent possible or ensure documented supervisory or independent reviews of the accounting records are performed.
- 2.4 Ensure bank reconciliations are performed timely on a monthly basis. In addition, the commission should investigate outstanding items and establish routine procedures to investigate outstanding checks.
- 2.5 Maintain leave records documenting leave earned, used, and accumulated.
- 2.6 Ensure complete and detailed capital asset records are maintained; assets are tagged for identification; annual physical inventories are performed and compared to detailed records; and proper approval is documented for the disposal of assets.





DeKalb County  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Daviess-DeKalb Regional Jail District Commission provided the following written responses:*

- 2.1 *We have hired Cameron Accounting to review financial records on a quarterly basis and advise us on any financial issues.*
- 2.2 *Cameron Accounting has assisted in setting up budgets and will assist in keeping us on track throughout the year.*
- 2.3 *An Assistant Administrator has been hired to oversee finances with the assistance of the secretary.*
- 2.4 *The Assistant Administrator and Bookkeeper now reconcile bank statements on a monthly basis and report results to the Board.*
- 2.5 *Salaried employees will begin filling out times sheets effective February 1, 2012. This will ensure proper tracking of scheduled hours, time off, any overtime, and annual leave.*
- 2.6 *All assets have been inventoried and will be checked quarterly by the Board. Tools will be inventoried daily to ensure the safety and security of the jail, employees and community.*

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## 3. Property Tax System

Controls and procedures over the property tax system need improvement. The office of the County Collector-Treasurer processed property taxes totaling approximately \$7 million annually for the 2 years ended February 28, 2011.

### 3.1 Account book

Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector-Treasurer. Although the prior County Clerk did maintain information regarding taxes charged and collected, and additions and abatements, there was no evidence the information was summarized and used to review the County Collector-Treasurer's annual settlement. The current County Clerk does not maintain an account book or other records summarizing property tax transactions and changes.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector-Treasurer, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector-Treasurer each year are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector-Treasurer's monthly and



## DeKalb County Management Advisory Report - State Auditor's Findings

annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

### 3.2 Tax book

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Collector-Treasurer extends and prints the tax books and tax statements and verifies the accuracy of amounts to be collected. Because the County Collector-Treasurer is responsible for collecting property tax monies, good internal controls require someone independent of that process be responsible for generating and testing the accuracy of the property tax books. Failure to perform reviews of the tax books may result in errors or irregularities going undetected. A review of the tax books should include verification of individual entries in the tax books and recalculating total tax book charges.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector-Treasurer should be documented.

**3.3 Additions and abatements** Controls over property tax additions and abatements are not adequate. The County Assessor prepares court orders for additions and abatements and posts the changes to the property tax system in her office, which automatically updates the information available to the County Collector-Treasurer for collection purposes. The County Assessor submits the court orders to the County Clerk for the County Commission's review and approval. However, the County Clerk does not reconcile the court orders to actual changes made to the property tax system. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector-Treasurer is charged with collecting, are not properly monitored and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, allow the County Clerk to make changes to the tax books with the approval of the County Commission. An independent comparison of approved additions and abatements to changes made to the property tax system would help ensure changes to the property tax system records are proper.

## Recommendations

3.1 The County Commission and the County Clerk monitor property tax system activities and perform a thorough review of the County Collector-Treasurer's settlements. In addition, the County Clerk should maintain a complete and accurate account book with the County Collector-Treasurer.



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- 3.2 The County Clerk prepare the current and delinquent tax books or, at a minimum, verify the accuracy of the tax books prior to charging the County Collector-Treasurer with the property tax amounts.
- 3.3 The County Commission and the County Clerk ensure all approved court orders are reconciled to the actual changes made in the property tax system.

## Auditee's Response

*The County Clerk provided the following written responses:*

- 3.1 *The County Commission and County Clerk will monitor the settlements and the clerk will make every effort to maintain a complete and accurate account book with the County Collector-Treasurer.*
- 3.2 *The County Clerk will make every effort to comply with the recommendation.*
- 3.3 *The County Commission and County Clerk will make every effort to ensure all approved court orders are reconciled to the actual changes made in the property tax system.*

## 4. Prosecuting Attorney

The Prosecuting Attorney does not provide adequate oversight of financial functions and records, and bank reconciliations were not prepared. The current Prosecuting Attorney was appointed to office in January 2010. The Prosecuting Attorney receipted \$37,302 and \$38,983 for restitution and bad checks in 2009 and 2010, respectively.

### 4.1 Segregation of duties and oversight

Accounting duties are not adequately segregated, and the Prosecuting Attorney does not provide adequate oversight of financial functions and records. One individual is responsible for receipting and recording monies and another is responsible for depositing monies, preparing and signing checks, and preparing bank reconciliations. The Prosecuting Attorney does not perform detailed reviews to ensure all monies received are properly deposited, recorded in the accounting system, and disbursed to the appropriate party.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Such reviews would reduce the possibility of errors, theft, loss, or misuse of funds going undetected.

### 4.2 Bank reconciliations

Bank reconciliations and liability lists were not prepared from September 2009 to August 2011 for the main account. Upon our request, the clerk has since completed all bank reconciliations and identified all liabilities. Reconciliations identified \$3,920 in outstanding checks. As a result of audit



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Management Advisory Report - State Auditor's Findings

inquiries, the clerk has reissued checks for payees which could be located, but is still in the process of following up on others.

Timely preparation of bank reconciliations and liability lists is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. The Prosecuting Attorney should continue to investigate and resolve any outstanding items.

## Recommendations

The Prosecuting Attorney:

- 4.1 Ensure periodic independent or supervisory reviews of financial records are performed and documented.
- 4.2 Prepare monthly bank reconciliations and ensure the month-end bank balances agree to the accounting records and liabilities.

## Auditee's Response

*The Prosecuting Attorney provided the following written responses:*

- 4.1 *The following changes have been made to ensure more oversight: The office manager and the administrative assistant will receive, receipt and record monies. Copies of the receipts will be kept with the appropriate file and periodic review of these receipts will be performed by the Prosecuting Attorney. Also, each week the Prosecuting Attorney will deposit the monies received at the bank. The checks will be prepared by the administrative assistant and will be reviewed and signed by the Prosecuting Attorney. The office manager will be responsible for preparing bank reconciliations once a month. The Prosecuting Attorney will then review, initial, and date the bank reconciliations at the end of each month.*
- 4.2 *Bank reconciliations will be performed each month within a few days of receiving the bank statements. The Prosecuting Attorney will also be reviewing the statements once a month. The \$3,920 in outstanding checks mentioned in the findings section have been either reissued to the appropriate party or turned over to the State.*

## 5. Public Administrator

Annual settlements are often not filed timely and are not always accurate. In addition, adequate documentation to support fees charged is not prepared. The Public Administrator is the court appointed personal representative for wards or decedent estates of the Associate Circuit Court, Probate Division, and handled the financial activities of 23 and 13 individuals during 2010 and 2009, respectively. We reviewed three cases with cash balances totaling approximately \$85,230, which represents 73 percent of the total cash balances from all cases at December 31, 2010.



## DeKalb County Management Advisory Report - State Auditor's Findings

### 5.1 Filing of annual settlements

Annual settlements are not filed in a timely manner. Sections 473.540 and 475.270, RSMo, require the Public Administrator to file an annual settlement with the court for each ward or estate. Although the court notifies the Public Administrator of approaching settlement due dates, some settlements were still filed late. Our review of the three wards with the most assets noted that both annual settlements due in 2010 were filed well after their due dates; one settlement was 3 months late, while the other was 7 months late.

Timely settlements are necessary for the court to properly oversee the administration of cases and reduce the possibility that errors or misuse of funds will go undetected.

### 5.2 Review of annual settlements

The Associate Circuit Court has not established procedures to adequately review the settlements of cases assigned to the Public Administrator. The Public Administrator also does not adequately review the settlements prepared by attorneys. As a result, some annual settlements filed by the Public Administrator were not complete or accurate and these errors went undetected. For example, a \$25,000 life insurance policy was not reported on an estate's annual settlements. On another settlement, real estate valued at \$115,000 was omitted from the annual settlement. In both instances the omitted items were included in previous settlements and should have been detected by both the Public Administrator and the Associate Circuit Court.

Failure to adequately review settlements increases the risk that errors or misuse of funds could go undetected. To ensure the financial activity of the estates is accurately reported to the court, all assets, liabilities, receipts, and disbursements should be accurately reflected on the annual settlements.

### 5.3 Fees

The Public Administrator has not always prepared and submitted documentation to support fees charged to wards. The Public Administrator receives a salary from the county and state law allows for fees and expenses requested by the Public Administrator and approved by the court to be paid to the county General Revenue Fund. The Associate Circuit Judge disallowed fees for those cases where there was a lack of documentation, resulting in minimal fees being paid to the General Revenue Fund. No fees were turned over to the General Revenue Fund in 2009, and a total of \$1,615 in fees were turned over in 2010.

To ensure all fees and expenses are properly assessed and transmitted to the county, the Public Administrator should work with the Associate Circuit Judge to ensure fees and expenses are petitioned from the court for all applicable wards and estates on a timely basis, approved, properly monitored, and paid to the extent possible.



DeKalb County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The Public Administrator:

- 5.1 Ensure annual settlements are filed in a timely manner.
- 5.2 Ensure annual settlements are accurately prepared. The Associate Circuit Judge should establish procedures to adequately review annual settlements filed with the court.
- 5.3 Work with the Associate Circuit Judge to ensure fees and expenses are assessed and paid to the county as appropriate.

## Auditee's Response

*The Public Administrator provided the following written responses:*

- 5.1 *The three settlements that were reviewed were not completed in a timely manner due to matters out of my control. Two of them were at an attorney's office trying to get straightened out from the prior Public Administrator and the third one was due to the prior conservators not balancing with what I had as verification of funds. These matters were handled as quickly as I could once this was all corrected. I am working diligently at getting these to the Circuit Clerk in a timely manner.*
- 5.2 *The two settlements that had errors were corrected immediately. I have changed my procedure in preparing settlements. I now process them, turn them over to the attorney's office and they review and complete them and turn them in to the Circuit Clerk. This should allow any errors to be caught quickly.*
- 5.3 *The estates I administer are presided over by different judges, and these judges have differing views of the proper formula to use in calculating the fees of the Public Administrator. I believe I now have a good understanding of how each judge believes the fees should be calculated, and thus will be better able to ensure the proper fees are assessed and paid to the county, as appropriate.*

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# DeKalb County

## Organization and Statistical Information

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DeKalb County is a township-organized, third-class county. The county seat is Maysville.

DeKalb County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 26 full-time employees and 11 part-time employees on December 31, 2010. The townships maintain county roads.

In addition, county operations include the Daviess-DeKalb Regional Jail District Commission, Senate Bill 40 Board, and Senior Citizens' Services Board. The jail commission includes the presiding county commissioners of DeKalb and Daviess Counties as well as the sheriff of each county. The county is a member of the ACCD 911 system which includes the counties of Andrew, Caldwell, Clinton, and DeKalb and the City of Cameron. The DeKalb County Treasurer, County Clerk, and Deputy County Clerk maintain the financial records for the ACCD 911.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
David R. Lippold, Presiding Commissioner	\$	27,832
Wayne Colhour, Associate Commissioner		27,086
Garry McFee, Associate Commissioner		27,086
Julie Whitsell, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Mary Berry, County Clerk (2)		41,665
Erik Tate, Prosecuting Attorney		64,800
Wes Raines, Sheriff		45,360
Joan Jody Pearl, County Collector/Treasurer (2), year ended March 31,	43,565	
Heath Turner, County Coroner		11,888
Connie Bray, Public Administrator		16,200
Ruth A. Ross, County Assessor, year ended August 31,		41,040

(1) Compensation is paid by the state.

(2) Includes ACCD 911 salary of \$2,525.



DeKalb County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

A Recovery Act - Edward Byrne Memorial Justice Assistance Grant was awarded by the U.S. Department of Justice to the Missouri Department of Public Safety and \$10,052 was passed through to DeKalb County. The county spent \$6,991 during 2010 on a boat and motor, and water rescue equipment for the Sheriff's department. As of September 19, 2011, the county had not spent or returned the remaining \$3,061.





**Thomas A. Schweich**  
Missouri State Auditor

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# The School District of Springfield, R-XII



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**March 2012**  
**Report No. 2012-16**

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Springfield R-XII School District

Health Benefit Trust Fund Financial Condition	The district's self-funded medical plan fund is in poor financial condition because the district did not adequately fund and monitor the plan's operating costs. Total estimated liabilities exceeded total assets by approximately \$3.3 million, a significant decrease since its fiscal year 2009 ending reserve balance of \$4,473,490.
Accounting Controls over Cash Receipts and Change Funds	Improvements are needed in the district's handling of meal, student activity, athletic event, and concession receipts. The district does not adequately segregate accounting duties; maintain sufficient records of monies received; properly secure and promptly transmit and deposit receipts; or collect unpaid student and athletic event fees. In addition, the district provides cash advances for meal expenses on travel, but does not adequately track or account for these amounts. Due to the numerous control weaknesses, there is less assurance monies have been handled and accounted for properly.
Bond and Lease Financing, Projects, and Long-term Planning	The district sold bonds and certificates through a negotiated sale, rather than a competitive sale and has used the same underwriter since 1991. In addition, the district's bond underwriter also acts as its financial advisor. The district overspent the 2006 bond proceeds by \$1.84 million. Change orders were not managed properly, procedures and records are not sufficient to ensure prevailing wages are paid, and the district lacked written comprehensive long-range plans for new construction, renovation, and space management.
Real Estate Transactions	Significant concerns were noted with the district's efforts to sell the old Hickory Hills School property. Despite the buyer's failure to make required payments and meet other contractual obligations, the district has entered into multiple agreements to extend the buyer's obligations to later dates. The latest agreement provides for the district to finance a significant portion of the purchase price. As of December 2011 the district has only received \$97,500 of the total \$4,450,000 purchase price. The district did not always obtain recent appraisals when appropriate and paid \$258,060 over the appraised value for land without documenting its reasons.
Procurement Procedures	Over two years, the district paid \$596,104 for legal services, but does not have a written agreement in place, and has used the same attorney for 25 years without periodically requesting proposals. The district did not follow its own procedures for evaluating and selecting engineering and surveying services. The district awarded certain contracts based, at least in part, upon donations given/promised by the contracted vendors. Some district bid specifications appeared to limit potential bidders unnecessarily.
Contracts	The district did not always enter into written contracts and did not adequately monitor some contracts. The district entered into several service contracts that cost the district a substantial amount each year without always performing cost analyses.

Fuel Use and Charter Bus Services	Controls and procedures over fuel use and purchases need improvement. In a 2 year period, the district spent more than \$500,000 on charter buses but lacks adequate policies and procedures for determining whether a district bus should be used instead.
District Compensation and Vehicle Allowances	The district lacks adequate policies and procedures regarding stipends and does not always enter into employment contracts when appropriate. The district does not document the basis for monthly vehicle allowances.
Payroll Controls, Procedures, and Records	Personnel records for some employees were not complete. Payroll duties are not adequately segregated, and the district lacked appropriate procedures to ensure amounts paid to the substitute services vendor are proper. The district has not established adequate policies and procedures regarding related employees.
Disbursements	The district needs to improve various disbursements policies and procedures, maintain adequate documentation, and pay invoices timely.
Accounting Controls and Procedures	The district needs to improve its control over signature stamps, facility rental procedures, and inventory duties. Some district policies are not adequate and complete.
Sunshine Law Issues	The district did not always comply with the Sunshine Law. The district held 31 closed meetings during the 2 years ended June 30, 2011, but did not follow all requirements and conducted business at retreats. Procedures and documentation related to Sunshine requests and fees need improvement.
School Safety	The district needs to improve its policies and procedures regarding background checks for volunteers, vendors, and contractors.
Internal Audit Function	The district does not currently have an internal audit function and did not follow up on many recommendations made by the former internal auditor.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The district was awarded \$25,027,400 during the audit period, most of which was spent on salaries to retain jobs. More detail is contained in the Organization and Statistical Information section of the audit report.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

<b>Excellent:</b>	The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
<b>Good:</b>	The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
<b>Fair:</b>	The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
<b>Poor:</b>	The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# The School District of Springfield, R-XII

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Board of Education  
The School District of Springfield, R-XII

The State Auditor was petitioned under Section 29.230, RSMo, to audit the School District of Springfield, R-XII. We have audited certain operations of the district in fulfillment of our duties. The district engaged Daniel Jones and Associates, Certified Public Accountants (CPAs), to audit the district's financial statements for the years ended June 30, 2010 and 2011. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended June 30, 2010. At the time of our audit, the CPA firm's audit of the year ended June 30, 2011, was not complete. The scope of our audit included, but was not necessarily limited to, the 2 years ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the School District of Springfield, R-XII.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Roberta Bledsoe
Audit Staff:	Natalie B. McNish, CGAP
	David Olson
	Toni Wade

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# The School District of Springfield, R-XII

## Management Advisory Report

### State Auditor's Findings

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#### **1. Health Benefit Trust Fund Financial Condition**

The Health Benefit Trust (HBT) Fund is in poor financial condition because the district did not adequately fund and monitor the operating costs of its self-funded health plans or programs.

The district implemented a self-funded medical plan in October 1990. The district contracts with a third-party administrator (TPA) to review, process, and pay claims, and a stop-loss insurer to cover individual claims exceeding \$250,000. Currently, monthly medical premiums and 50 percent of dental premiums are paid by the district for employees. Employee spouses and families may be covered for an additional premium paid by the employee. Retirees are responsible for their premiums. All premium rates are set by the School Board. All premiums are held in the HBT Fund, and claims and other costs related to the medical and dental plans and wellness programs are paid from this fund.

#### Financial condition

Total estimated liabilities of the HBT Fund exceeded total assets by approximately \$3.3 million as of June 30, 2011, and our projections indicate subsidy of the HBT Fund with other district funds may be required as early as September 2013.

Total assets and the amount necessary to cover the estimated liabilities for unpaid claims (the reserve balance) have significantly deteriorated from fiscal year 2009 to 2011. The chart below presents HBT Fund revenues, expenditures, assets, estimated liabilities, and reserve balances for the 3 years ended June 30, 2011. These amounts are reported on monthly financial reports which district officials use to monitor HBT Fund activity.



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		Year Ended June 30,		
		2011	2010	2009
Beginning total assets	\$	7,778,461	11,816,326	14,813,810
Revenues				
Medical contributions and premiums		18,135,585	17,604,237	17,118,334
Dental contributions and premiums		897,565	727,145	685,820
Federal grant (1)		1,049,133	0	0
Stop loss insurance proceeds		804,457	30,403	150
Other and interest		22,775	139,067	289,604
Total revenues		20,909,515	18,500,852	18,093,908
Expenditures				
Medical claims		22,108,102	20,227,496	18,809,995
Dental claims		1,326,184	1,217,963	1,143,086
Premiums and fees		1,048,147	989,022	1,025,807
Wellness and other costs		115,976	104,236	112,504
Total expenditures		24,598,409	22,538,717	21,091,392
Ending total assets		4,089,567	7,778,461	11,816,326
Estimated liability for				
unpaid claims		7,342,836	7,342,836	7,342,836
Reserve balance	\$	(3,253,269)	435,625	4,473,490

(1) Federal grant was received for one year only.

While medical and dental claims have routinely exceeded premiums paid by the district and employees since fiscal year 2008, the School Board did not increase employee premium rates or make other changes to plan benefits to control costs until September 2010. In 2007 and 2008, the School Board approved changes to the medical plan which also contributed to the decline of the HBT Fund. These changes included providing dental benefits to employees, increasing wellness benefit payments to each employee, providing \$100,000 annually for wellness programs, and providing an employee assistance plan (EAP) costing \$53,669 annually. These changes were made without increasing district contributions or employee premiums. Further, the additional costs incurred by the HBT Fund for the increased wellness benefit payments and added dental plan were not adequately tracked and monitored by the district.

Financial information and  
reserve balance

HBT Fund financial statements are reviewed and approved by the School Board each month; however, these reports are not always accurate. The amount reported on the financial statements as an estimated liability for





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unpaid claims, totaling approximately \$7.3 million, has not been periodically updated to reflect current conditions and the same amount has been presented on the statements since July 2008. We also noted other discrepancies between information presented on the fund financial statements and district financial records. As a result, monitoring of the fund is less effective and the district has less assurance that assets are sufficient to cover estimated liabilities. At our request in August 2011, the Chief Financial Officer (CFO) provided a more current estimated liability for unpaid claims of approximately \$8.6 million as of June 30, 2011. Based on this information the deficit reserve balance as of June 30, 2011, is approximately \$4.5 million, instead of the \$3.2 million deficit presented above and in the reports to the Board. The district also has not established a minimum reserve balance (the amount of assets necessary to cover the estimated liability of unpaid claims) for the HBT Fund or procedures to monitor this balance and address any deficiencies.

Actions taken

In September 2010, the School Board approved changes to the medical and dental plans (effective January 1, 2011) to improve the financial condition of the HBT Fund. These changes included increasing employee deductibles, increasing co-insurance percentages and maximum out of pocket expenses, increasing premiums for spouse and family coverage, requiring employees to pay 50 percent of dental premiums, and reducing the amount of out of network claims allowed. According to information presented to the School Board by the finance department, these changes would result in annual savings of approximately \$2.2 million.

Planning

Written comprehensive long-range plans for the HBT Fund have not been prepared. While estimated savings were calculated for the changes made in September 2010 (noted above), the district did not project the results of these savings/changes to future years to ensure the changes were sufficient to improve the financial condition of the HBT Fund. Based upon the anticipated savings calculated by the district and the historical activity of the HBT Fund, we project fund assets along with revenues will not be sufficient to cover fund expenses and the district may be required to subsidize the HBT Fund with other district funds as early as September 2013. Failure to adequately plan for future needs could result in a continued decline of the financial condition of the HBT Fund and may require the district to subsidize the HBT Fund.

Conclusion

It is essential the School Board continue to address the HBT Fund financial condition both in the immediate- and long-term future. Documented long-term planning is essential to ensure HBT Fund resources are sufficient to cover liabilities and improve the fund's financial condition. Complete and accurate financial reports and the establishment of benchmarks, such as a minimum reserve balance, are necessary for the Board to effectively monitor and make decisions regarding the fund.



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## Recommendation

The School Board closely monitor the financial condition and take the necessary steps to improve the financial condition of the HBT Fund.

## Auditee's Response

*The School Board provided the following written response:*

*We have taken the following actions:*

- *Premium increases, which were approved by the School Board at the Oct. 4, 2011 meeting, will improve the financial condition of the HBT fund by increasing revenue to the fund by about \$3 million annually.*
- *We are updating the estimated liability for unpaid claims on a monthly basis.*

*We plan to take the following actions:*

- *We will issue an updated June 30 report each year after all accruals are complete.*
- *We will establish a minimum reserve balance.*

*The financial status of the HBT fund is presented to and monitored by the School Board on a monthly basis, and in December 2007, the HBT fund balance was over \$15 million. At that time, the School Board elected to reduce the balance by increasing benefits (wellness, dental, etc.) and avoiding increases to premiums.*

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## 2. Accounting Controls over Cash Receipts and Change Funds

Significant improvements are needed in the handling of meal, student activity, athletic department, athletic event, and concession receipts and change funds. These types of receipts are at greater risk since a large portion is received in cash, there are numerous collection points throughout the various schools and administrative offices with a variety of handling and recordkeeping methods, and written guidance for standard procedures needs improvement. As a result of numerous control weaknesses, there is less assurance all district monies have been handled and accounted for properly.

We observed and reviewed procedures at various collection points throughout the district and followed up on concerns reported in internal audits. We conducted cash counts of athletic event ticket sales and concessions at Glendale High School, student activity monies and meal collections at Kickapoo High School, and athletic department receipts at the district administrative offices.

The chart below summarizes the approximate amounts and types of monies collected during the years ended June 30, 2011 and 2010, for those areas subject to our review.



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Type of Receipt	2011	2010
Meal	\$ 4,400,000	4,500,000
Student activity	3,500,000	3,400,000
Athletic department	312,000	274,000
Athletic event ticket sales	236,000	213,000
Season passes	180,000	182,000
Concessions	89,000	113,000

This information was obtained from district accounting records.

## 2.1 Segregation of duties

The duties of receiving, recording, and depositing monies by several different district offices and schools are not adequately segregated, and a documented supervisory review of the accounting records is not performed. Financial secretaries at various schools, athletic event ticket and concession managers at various schools, and the accounts receivable clerk at the district administrative center receive monies, and prepare and make deposits or transmittals.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, a timely supervisory review of the work performed is necessary.

## 2.2 Security of monies

Monies collected are not always maintained in a secure location. For example, monies collected by the district administrative athletic office were stored on a desk shelf, and monies collected at the Kickapoo High School cafeteria were stored in a walk in freezer. At the time of our cash counts, \$12,184 (\$692 cash and \$11,492 checks) and \$2,676 (\$1,655 cash and \$1,021 checks) was on hand in the athletic office and high school cafeteria, respectively. Additionally, according to district policy, student activity monies should never be kept in a teacher's classroom; however, we noted numerous instances where student activity monies were stored in unlocked desks and file cabinets in classrooms at Kickapoo High School. At the time of our cash count, student activity fees of \$6,090 (\$2,580 cash and \$3,510 check) were on hand in classrooms, locker rooms, and teacher offices. Further, some of these monies had been held for weeks or months. In addition, checks and money orders received are not always restrictively endorsed immediately upon receipt.

To safeguard against possible loss or misuse of funds and to ensure receipts are properly handled, receipts should be maintained in a secure location until deposited, and checks and money orders should be restrictively endorsed immediately upon receipt.



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### 2.3 Receipting and ticket procedures

Several concerns were noted regarding receipting and ticket procedures:

- Several offices or schools do not have adequate procedures in place to properly record all payments received. Receipt slips are not issued for some monies received. We noted several instances at Kickapoo High School where receipt slips were not issued for any student activity monies collected by teachers, and several instances at the district administrative offices, administrative athletic office, and Glendale and Kickapoo High School financial offices where receipt slips were only issued for cash.
- Manually issued receipt slips do not always indicate the composition of receipts (i.e. cash, check, money order), and the district does not reconcile the method of payment on the receipt slips to the composition of receipts recorded in the accounting system or on the deposit or transmittal.

According to the district administrative practices and procedures manual, receipt slips should be issued for all monies; and the type of transaction (cash or check), date, payor, amount, description of the transaction, fund, account description, account number, and number of the deposit slip should be included on the receipt slip.

- Daily meal collection reports (which represent the original record of meal receipts) prepared by lunch room cashiers are not always signed by the cashier nor is the cafeteria manager's review of the report documented.
- Prenumbered tickets are not always issued to attendees of district athletic events as required. At the athletic event we attended at Glendale High School, tickets were not issued to the ticket workers in numerical order by the ticket manager. District policy requires the ticket worker collecting monies to provide a prenumbered ticket to each attendee and for another ticket worker to collect the ticket at the entrance of the event. After completion of the event, tickets issued and collected should be reconciled to monies collected. However, we observed the ticket workers did not issue tickets to any of the attendees at the entrance. Rather, tickets were retained in the cash collection box and after the event ended, the ticket workers tore off the number of tickets needed to approximately match the amount of monies collected.

To properly account for all receipts and tickets and ensure monies are accounted for properly and deposited, official prenumbered receipt slips or tickets should be issued in numerical order for all monies received, tickets issued should be reconciled to monies collected, and the method of payment should be recorded on each receipt slip and reconciled to the composition of receipts recorded in the accounting system and deposits or transmittals. In



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addition, to provide evidence meal collections are accounted for properly, daily meal collection reports should be signed by the cashiers and reviewed and signed by the cafeteria managers.

## 2.4 Depositing and transmitting procedures

Numerous instances were noted where receipts were not transmitted or deposited timely and intact.

- A January 11, 2011, cash count of district administrative athletic office receipts identified 47 checks totaling \$11,492, dated between November 15, 2010, and January 10, 2011, were on hand. These monies were held and not transmitted to the district finance department until January 19, January 28, and February 10, 2011.
- A January 7, 2011, cash count of concession receipts at Glendale High School identified cash on hand of \$3,552. No deposits of concession receipts had been made since December 13, 2010, even though five athletic events had been held. In addition, only \$3,108 of the monies on hand were subsequently deposited on January 12, 2011. The concession manager indicated he kept some monies out for a change fund and to purchase supplies; however, he did not retain documentation of the amount of the change fund or supplies purchased.

We also noted the concession manager had previously used concession receipts to reimburse his wife (a non district employee) for purchases made using her personal debit card. Further, the district does not require the concession manager to maintain inventory records of concession items purchased, sold, and on hand, which could be reconciled to monies collected.

- A May 12, 2011, cash count of student activity fees at Kickapoo High School identified a \$100 check dated March 2, 2011, which was not transmitted by the sponsor to the financial secretary until May 16, 2011. Additionally, the sponsor indicated a portion of the monies collected were used to purchase water and pizza for the event, rather than being transmitted to the financial secretary for deposit. Numerous other instances were noted where student activity fees were not transmitted intact and timely.

According to district policy, all monies collected shall be deposited within 24 hours of receipt.

- Several personal checks of district employees were cashed from district receipts at Glendale and Kickapoo High Schools and at the administrative athletic office. During cash counts conducted on January 7, January 11, and May 12, 2011, and our review of the related deposits, we noted personal checks of district employees were cashed from district receipts.



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In addition, one of the secretaries at Kickapoo High School borrowed monies from district receipts to purchase lunch and placed an IOU in the money box. The assistant school principal indicated she was aware employees borrowed money from district receipts to purchase lunch.

- Cash refunds were made from district receipts at Kickapoo High School by various student activity sponsors and the librarian without adequate supporting documentation.
- Some district receipts are handled by several employees before deposit, and there is not always adequate documentation to support the transmittal of monies from one district employee to another. For example, the transmittal of athletic event ticket sales from the athletic event ticket seller to the ticket manager and then to the high school financial secretary is not documented. Additionally, some elementary schools transmit collections to the school cafeteria manager to store in the cafeteria manager's safe. While a chain of custody transmittal is prepared by the elementary school financial secretary to track monies turned over to the cafeteria manager; we noted only 15 of 42 transmittals were signed by the cafeteria manager documenting receipt of the monies.
- District policy requires two signatures on every deposit slip prepared by ticket managers (the signature of the ticket manager and the signature of an independent reviewer); however, our review of 34 swimming meet deposits during the year ended June 30, 2010, identified 31 deposit slips with only one signature (ticket manager) and another 3 deposits signed by both the ticket manager and swimming coach, who are married to each other. Additionally, we reviewed eight additional deposit slips related to cash counts conducted on January 7 and January 11, 2011, of athletic events and the athletic office and none of the deposit slips were signed.

The failure to transmit and deposit monies intact and timely and properly document such procedures increases the risk of theft or misuse of funds.

## 2.5 Student activity funds

Accounting controls and procedures over district student activity funds need improvement. While the district has a written policy for student activity funds, the policy does not address the types of records which should be maintained and the accounting procedures to be followed by the sponsor of each student activity and fundraiser. Some of the problems we identified include:

- Our cash counts showed very little or no documentation was retained to support amounts collected by teachers/sponsors for student activities at Kickapoo High School. Additionally, the transmittal forms prepared by



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the teachers/sponsors for the school financial secretary were not always retained by either the teacher/sponsor or the financial secretary. Most teachers/sponsors indicated if transmittal forms were prepared or any records were maintained of the student activity, the records were destroyed after the event or at the end of the school year. As a result, the district has little assurance student activity fees were accounted for properly.

- Checks for student activity fees (from parents) were often made out to the teacher/sponsor/coach or the payee was left blank, which could allow the teacher/sponsor/coach to negotiate the checks personally.

To provide guidance to student activity sponsors and properly account for student activity monies, the district should amend its student activity policy to address records to be maintained and procedures to be followed by the sponsor of each student activity. In addition, accounting records should be retained to ensure the validity of transactions and provide an audit trail to account for all monies received.

## 2.6 Cash advances

Policies and procedures over cash advances need improvement. The district provides teachers, sponsors, and coaches cash advances for meal expenses when school organizations or teams are traveling. While the district has adopted informal procedures requiring the teachers, sponsors, and coaches to submit supporting documentation after their return or require students to sign for monies received, the procedures are not always followed. For example, one teacher obtained a cash advance of \$7,840 on June 11, 2010, to take 28 students on a trip from June 12 to June 19, 2010. The teacher indicated he gave \$280 cash to each student to spend on meals. On July 7, 2010, the finance department notified the teacher he had only submitted receipts signed by students for monies totaling \$2,240 and requested the remaining \$5,600 of signed receipts be submitted. The remaining receipts were not turned in by the teacher until after August 17, 2010, about 2 months after the cash advances were given to the students. Further, the district does not track the amount of cash advances issued to district employees and was unable to provide us a report of all cash advances.

The district should re-evaluate current practices and procedures for providing, tracking, and accounting for cash advances to ensure all cash advances are appropriately monitored and accounted for properly. Further, the district should determine if a more secure method of payment could be used.

## 2.7 Tournament of Champions

Adequate procedures have not been established by the administrative athletic office to account for admissions to the Tournament of Champions (TOC), a basketball tournament sponsored by the district and held at Missouri State University (MSU). Admissions to the TOC totaled over \$336,000 during the 2 years ended June 30, 2011.



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Admissions are collected at the district (in the administrative athletic office and by various district coaches), through the MSU ticket office, and at the door of the event. Un-numbered tickets are used and several complimentary tickets are given away and are not tracked by the district. As a result, the number of tickets sold and given away cannot be reconciled to monies collected and deposited.

To ensure all TOC admissions are accounted for properly, the district should issue prenumbered tickets, track complimentary tickets, and reconcile tickets issued and given away to monies deposited.

## 2.8 Change funds

Controls over district change funds need improvement. Each school office maintains various change funds for transactions such as parking fees, identification card monies, fees for lost school property, and making change for students for vending machines. Other change funds are issued temporarily to district personnel for sporting events and student activities.

The district does not have a list of approved change funds and the authorized balances or a written policy regarding these change funds. Some change funds are not maintained at a constant amount, and some schools regularly hold monies out of district receipts to make change. In addition, adequate documentation of change funds given to/returned by district personnel for sporting events or student activities is not maintained, and some change funds were returned by an employee issuing a personal check to the district as opposed to returning actual monies remaining in the change fund.

Written policies should be established outlining the procedures for maintaining, using, and accounting for change funds. The district should also maintain a list of all authorized change funds and amounts. In addition, to safeguard against possible loss, theft, or misuse of funds, change funds should be maintained at a constant amount. Periodically, the funds should be counted and reconciled to the authorized balance by an independent person.

## 2.9 Unpaid student and athletic event fees

The district has not established adequate policies and procedures for unpaid student and athletic event fees, and our review showed collection efforts are not sufficient.

- Students at Kickapoo High School are sometimes requested to sign a promissory note for unpaid student fees and fines, and if these amounts remain unpaid, the high school withholds class schedules, grade cards, and diplomas from these students. District administrative offices were unaware this high school was utilizing promissory notes.

Section 431.055, RSMo, states the legal age at which a person becomes competent to contract in Missouri is 18 years; thus, any promissory note signed by a student less than 18 years of age is void.





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- Collection procedures at some schools are not adequate. For example, Kickapoo High School collects fees for identification badges and allows students to charge these fees. During the period August 24, 2010, through June 2, 2011, the high school allowed charges totaling \$5,614 and only collected \$2,656 of these fees, resulting in approximately 53 percent of these fees not being collected.
- The administrative athletic department collects entry fees from various schools for district tournaments and events, and records maintained are not adequate to track remaining amounts due. For example, during our January 2011 review of an October 2010 sporting event, the athletic department secretary could not provide documentation that two of eight participating schools had paid their \$150 entry fee.

To ensure enforceability, the district should not enter into contractual agreements, including promissory notes, with persons less than 18 years of age. To help ensure prompt collection of student and tournament fees, the district should establish formal procedures regarding the collection of unpaid fees.

### 2.10 Centralized collection points

The district has numerous cash collection points throughout various administrative offices and schools. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, the district should review collection procedures at all locations. Steps should be taken to identify the collection points with the greatest risk of misuse or misappropriation, and the district should make improvements to controls and procedures over these areas first. An improvement the district might consider is establishing a centralized collection point at each school, such as the school financial office, and at the administrative center in the finance department, which would aid in accounting for all monies collected by various employees in the district. The failure to use centralized collection points and adequate receipting and collection procedures results in reduced assurance all monies collected are deposited and accounted for properly.

### Similar conditions previously reported

Conditions similar to sections 2.1, 2.2, 2.3, 2.4, and 2.5 were reported in internal audit reports issued in 2007 and 2008 by the district's former internal auditor. (See MAR finding number 14).

### Recommendations

The School Board:

- 2.1 Segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- 2.2 Maintain monies collected in a secure location, and restrictively endorse checks and money orders immediately upon receipt.



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- 2.3 Ensure adequate controls and procedures are in place in all district departments/schools to properly account for all monies received.
- 2.4 Deposit all monies intact and in a timely manner, issue checks for purchases and reimbursements, discontinue the practice of cashing personal checks, periodically reconcile amounts collected for concessions to changes in concession inventory, limit and document transmittals of monies between employees, and ensure all district policies are followed.
- 2.5 Amend the student activity policy to address the types of records to be maintained and procedures to be followed by the sponsor/teacher of each student activity.
- 2.6 Reevaluate district practices and procedures for providing, tracking, and accounting for cash advances.
- 2.7 Establish procedures to account for admissions and complimentary tickets given away for the TOC.
- 2.8 Establish written procedures governing the accounting for change funds. Also, the School Board should maintain a list of each change fund and the authorized balance of each fund. In addition, the School Board should ensure the change funds are periodically counted and reconciled to the authorized balance by an independent person.
- 2.9 Discontinue the practice of entering into promissory agreements with individuals less than 18 years of age. The School Board should also establish formal collection procedures of unpaid amounts and pursue collection on a timely basis.
- 2.10 Ensure adequate controls and records are in place in all district offices and schools to properly account for all monies received, and consider establishing centralized collections points.

## Auditee's Response

*The School Board provided the following written responses:*

- 2.1 *We plan to continue to review processes involving cash collections to determine how segregation of duties can be improved. Fully achieving segregation of duties could require hiring additional administrative personnel thus increasing annual operating costs.*
- 2.2 *We have communicated and clarified existing cash-handling policies and procedures with staff who handle cash receipts to*



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*ensure money collected at, or sent into, the district athletics office is deposited within 24 hours per district policy.*

*We plan to take the following actions:*

- We will communicate and clarify existing cash-handling policies and procedures with all other staff who handle cash receipts that all money collected must be placed in a secure location and deposited within 24 hours per district policy.*
- We will ensure that policies and procedures reflect the requirements for security of monies and the immediate restrictive endorsement of all checks.*
- We will monitor compliance with policies and procedures.*
- We will respond to any future infractions of cash-handling policies and procedures through appropriate disciplinary action.*

2.3 *We plan to take the following actions:*

- We will communicate and clarify existing receipting and ticketing policies and procedures with staff who are responsible for these transactions.*
- We will monitor compliance with policies and procedures.*
- We will respond to any future infractions through appropriate disciplinary action.*

2.4 *We plan to take the following actions:*

- We will communicate and clarify existing depositing and transmitting policies and procedures with staff who are responsible for these transactions.*
- We will monitor compliance with policies and procedures.*
- We will respond to any future infractions through appropriate disciplinary action.*
- We will review current procedures for concession inventory and determine what changes should be made.*

*Adequately overseeing depositing and transmitting procedures to ensure they are strictly followed could require hiring additional personnel thus increasing annual operating costs.*

2.5 *We plan to take the following actions:*

- We will improve processes for collecting and documenting the collection of student activity funds.*
- We will amend administrative practices and procedures to reflect these changes.*
- We will communicate and clarify existing and amended procedures with staff that are responsible for student activity funds.*



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- *We will monitor compliance with policies and procedures.*
  - *We will respond to any future infractions through appropriate disciplinary action.*
- 2.6 *We plan to take the following actions:*
- *We will strengthen processes to closely monitor and reconcile all cash advances.*
  - *We will monitor compliance with policies and procedures.*
  - *We will respond to any future infractions through appropriate disciplinary action.*
- 2.7 *We have reviewed existing procedures and identified ways to improve accounting for admissions to the Tournament of Champions including:*
- *We have discontinued sale of TOC tickets by district personnel except at the district high schools participating in the tournament. It is important that the participating district schools be able to offer their students and parents access to tickets so they can support their teams.*
  - *Sales of all other tickets are now managed by the ticket office at the JQH Arena on the campus of Missouri State University.*
  - *We have implemented changes including individually numbering all tickets (general admission, reserved and complimentary), including unsold tickets from high school locations.*
  - *We have implemented a process to track complimentary tickets, which will result in a final accounting of complimentary tickets as unused tickets are returned to the JQH ticket office.*
- 2.8 *We plan to take the following actions:*
- *We will review current procedures for the accounting of change funds and determine what, if any, changes should be made.*
  - *We will develop written guidelines and/or policies outlining procedures for maintaining, using and accounting for change funds.*
- Fully implementing auditor's recommendations concerning change funds could require hiring additional personnel thus increasing annual operating expenses.*
- 2.9 *We have discontinued the practice of having students under the age of 18 sign promissory notes. We plan to establish formal procedures for the collection of unpaid accounts including collection of such accounts.*
- 2.10 *We plan to take the following actions:*
- *We will review collection procedures at all locations.*



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- *We will consider the feasibility of establishing a centralized collection point at each school.*

### 3. Bond and Lease Financing, Projects, and Long-term Planning

Significant improvement is needed in the handling of bonds and lease financing, projects, and long-term planning.

#### General obligation bonds

In fiscal years 2006 and 2009, the district issued general obligation bonds of \$96.5 million and \$50 million, respectively. According to the ballot language, the 2006 bonds were issued for the purpose of air conditioning certain existing school buildings; making improvements to school facilities, including constructing new buildings and improving, repairing, and renovating existing school buildings; furnishing and equipping school buildings; and purchasing land for future school sites. The projects funded by this bond issue were started in fiscal year 2007 and were substantially completed in fiscal year 2010.

According to the ballot language, the 2009 bonds were issued for the purpose of air conditioning school buildings; making improvements to Hillcrest High School and other school facilities, including acquiring, improving, repairing, and renovating existing buildings; acquiring title to school facilities by paying off lease obligations; and furnishing and equipping school buildings. The projects funded by this bond issue were started in fiscal year 2010 and some projects are currently in progress.

#### Lease participation certificates

In fiscal years 2007 and 2009, the school district issued Missouri School Board Association Insured Lease Participation Certificates of approximately \$3.9 million and \$13.9 million, respectively. The 2007 certificates were issued for the purpose of renovating and equipping existing buildings for energy conservation purposes at Kickapoo High School and other sites. The 2009 certificates were issued for the purpose of financing the acquisition, construction, furnishing, and equipping of a new Hickory Hills School and purchasing a new administrative center (the new Kraft building).

### 3.1 Financing

The district sold these bonds and certificates through a negotiated sale instead of a competitive sale. In addition, the district's bond underwriter also acts as the district's financial advisor.

#### Bonds

The School Board has been using the same underwriter (bond purchaser), who also acts in a dual capacity as financial advisor, since 1991. Having the same provider serve in the dual capacity of financial advisor and underwriter for a bond issue creates a potential conflict of interest. Additionally, the lack of independent financial advice could result in the



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Lease participation  
certificates

School Board not always being adequately informed of bond issuance options or being able to adequately evaluate bond proposals. Also, the School Board relied upon the advice of the bond underwriter instead of seeking open bids to assure the most competitive rate of return for taxpayers. The Government Financial Officers Association (GFOA)<sup>1</sup> cautions against using the bond underwriter as a financial advisor because the duties of the underwriter and financial advisor are separate and can be adverse, so using the same provider for both roles causes an inherent conflict of interest. The underwriter does not have a fiduciary responsibility to the district. Underwriter fees for bonds and certificates issued were \$741,500, and \$153,050, respectively.

Lease participation certificates are a method of financing capital projects whereby a financial institution sells interests in the capital projects, leases the projects to a local government, and repays the certificates with the lease payments. After the certificates have been repaid, the local government typically has the option to purchase at a nominal amount the capital projects it has been leasing. Lease participation certificates are not required to be approved by district voters.

While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting bond underwriters and financial advisors, competitive sales may result in lower interest costs for the district, and competition in selecting bond underwriters and financial advisors is important to ensure services are obtained from the best qualified providers at a fair price.

3.2 Monitoring of bond  
projects

The district did not adequately monitor the 2006 bond project costs, and in October 2010, the district reported it had overspent the 2006 bond proceeds by \$1.84 million. As a result, project costs related to the amount overspent had to be paid with monies from the 2009 bond issue. The Superintendent indicated the overspending was caused by some contracts not being encumbered by the district; however, the district had no documentation to support the explanation.

Additionally, we noted the following concerns related to the quarterly bond reports prepared by the bond project department and submitted to the School Board for its review:

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<sup>1</sup> "Best Practice Selecting Underwriters for Negotiated Bond Sales," *Government Financial Officers Association*, October 17, 2008, <[http://www.gfoa.org/index.php?option=com\\_content&task=view&id=1585](http://www.gfoa.org/index.php?option=com_content&task=view&id=1585)>, accessed September 13, 2011.



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- Quarterly bond reports were not prepared for the 2006 bond issue from October 2009 until October 2010, when the overspending was identified.
- Quarterly bond reports were not always accurate and complete. The June 30, 2009, and September 30, 2009, quarterly bond reports did not include activity for additional projects, which were not included in the original 2006 bond project plans, such as the new Hickory Hills School (\$11.4 million). The Director of Finance indicated the additional projects were not included on these bond reports because they were not part of the original plans; however, these projects were substantially completed in fiscal year 2009, and included on the final bond report prepared for the quarter ending September 30, 2010, which identified the overspending.

In addition, the quarterly bond reports for the quarters ended September 30, 2010, and June 30, 2009, reported encumbrances of \$597,431 and \$35,620,416, respectively; however, the district was unable to provide documentation to show which contract costs were included in these encumbrance amounts.

Good business practice requires adequate monitoring of project costs. Without accurate and complete bond project reports, the district cannot adequately monitor project costs. Accurate bond project reports are essential for effective financial planning.

### 3.3 Change orders

There were numerous change orders on various construction and renovation projects. Additionally, the services provided and items purchased through the change orders were not bid when appropriate. Further, the district did not always review and approve change orders in a timely manner.

- During the Cherokee Middle School renovation, 70 change orders totaling \$944,514 were processed and not bid, representing over 8 percent of the original contract amount. Some of the change orders included:



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Description of Change Orders	Cost
New lighting or upgrade of light fixtures (5 change orders)	\$ 92,638
Relocate and add electrical and data hookups to the computer room	77,154
New lockers, locker tags, and relocate lockers (3 change orders)	53,424
Additional security system items (3 change orders)	53,763
Wireless and wired networking capabilities	36,431
Closets and cabinets in classrooms (2 change orders)	28,533
Raise ceiling in weight room	22,103
New carpet and doors to a classroom and repaint and clean up another classroom	13,981
New pizza oven and related hookups	12,046
Clean-up and add volleyball striping to gym floor	11,750
Sod for retention pond and new doors	10,491

In addition, the district planned to keep classes in session while renovations were completed; however, the district failed to include some costs for temporary walls, temporary heating systems, and relocation of electric lines in the bid proposal.

- The district did not always review and approve change orders in a timely manner. For example, 8 of 20 change orders processed on the Hickory Hills School construction project, were not reviewed and approved by the Director of Business Operations in a timely manner. Some of the change orders were not approved by the district for up to 9 months after the outside construction contractor had approved the change order. As a result, the construction work related to the change orders had already been started or completed prior to district approval.

Change Order Number	Amount of Change Order	Date Contractor Approved Change Order	Date District Approved Change Order
10	\$49,316	October 2009	July 2010
12	\$49,777	December 2009	July 2010
13	\$49,690	January 2010	July 2010
14	\$49,958	January 2010	July 2010
17	\$49,920	June 2010	September 2010
18	\$46,907	June 2010	September 2010
19	\$46,774	June 2010	September 2010
20	\$14,269	December 2010	April 2011

While change orders often occur on construction contracts, they are normally used to make adjustments for minor problems which are unknown





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when construction projects are originally bid. Change orders should be kept to a minimum to ensure the maximum amount of construction costs are subjected to competitive bidding and to reduce the amount of administrative time and effort in processing change orders. Change orders should not be used to make significant changes to existing contracts. If the scope of a project changes substantially, consideration should be given to bidding those parts of the project. In addition, proper and timely reviews of change orders are necessary to prevent potentially unnecessary work.

### 3.4 Prevailing wage

The district has not established procedures to adequately monitor contractors to ensure prevailing wages are paid.

Section 290.250, RSMo, requires prevailing wages be paid to all workers employed by or on behalf of any public body, who perform construction work projects other than routine maintenance. Without policies and procedures to monitor prevailing wage and detailed supporting documentation, the district cannot ensure compliance with state law.

According to the Lead Project Manager, while some contractors provide payroll information to verify prevailing wages are paid, the district does not review the information provided. We noted instances where payroll information was not received by the district or was not adequately detailed to ensure prevailing wages were paid in accordance with state law.

Additionally, we noted an instance in which prevailing wage was not paid. A subcontractor for the Campbell Elementary heating, ventilation, and air conditioning (HVAC) system installation project did not pay prevailing wage rates for asbestos workers or plumbers. According to payroll documentation reviewed, asbestos workers were compensated \$16 per hour while the annual wage order during the same period required a pay rate of at least \$23.41 per hour. Also, plumbers were compensated at \$20.47 per hour while the annual wage order during the same period required a pay rate of at least \$25.59 per hour.

### 3.5 Long-range planning for projects and facilities

Written comprehensive long-range plans for new construction, renovation, and space management have not been developed. The district has extensive holdings in real estate and buildings. District records for the year ended June 30, 2011, valued district real estate and buildings at over \$216 million. During the past 2 years, the district has disbursed over \$27.8 million for renovations, construction, and property leases and purchases. The district failed to formally document its decision making and planning process related to various facilities including:

- The district purchased land for \$774,180 and constructed a new Hickory Hills Middle School, costing approximately \$20 million. The school was opened for classes in January 2010. The district did not document



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its review or consideration of other real estate listed for sale as possible sites for relocation of this school.

- In October 2009, the district purchased a building to serve as a new administrative center. The building was purchased for approximately \$2.2 million and an additional \$2.18 million was spent to renovate the building in fiscal years 2011 and 2010. The district also spent approximately \$380,000 to demolish the old administrative center building. At the time of this purchase, other district owned buildings were vacant or were planned to become vacant and were being held for sale. The district did not formally document its reasons why the former administrative center or other district owned buildings were not suitable. In addition, district officials indicate space is already limited at the new administrative center. The purchase and renovation of this building were funded by a lease purchase certificate.
- The district formed a committee to locate a building to house the Early Childhood Special Education (ECSE) program, which had previously been located at various schools. The committee recommended the district enter into a 5 year lease agreement with 4 optional 5 year renewals for a building which would be renovated by the owner to meet district specifications. The district entered into this lease in 2010, and if the district renews this lease for 25 years, as provided for by the agreement, the district will spend more than \$19 million to lease this property. The district did not perform or document any long-range plans to ensure the building would be adequate to meet the anticipated growth of the program or perform a cost benefit analysis of leasing versus purchasing or constructing its own building to house the ECSE program. The cost of this lease is currently reimbursed through grant funds.

Documented long-term planning is essential to ensure district resources are used efficiently. Failure to adequately plan for future needs could result in wasted resources. New construction, renovation, and leases should be conceived in terms of the overall district plan. After a long-range plan is developed, it should be reviewed annually and modified as necessary to meet the changing needs of the district.

## Recommendations

The School Board:

- 3.1 Pursue open competition in any future bond or certificate sales, and discontinue using an underwriter who also acts in a dual capacity as financial advisor.



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- 3.2 Ensure adequate monitoring is performed and documented on future projects. The School Board should also require quarterly bond reports be prepared and reviewed timely.
- 3.3 Monitor change orders, give consideration to bidding when substantial project changes are needed, and ensure change orders are approved timely.
- 3.4 Establish policies and procedures to ensure prevailing wage rates are paid on all required projects including adequate supporting documentation to substantiate rates paid.
- 3.5 Develop comprehensive, written long-range plans which address all known construction, renovation and space needs, regardless of funding sources.

## Auditee's Response

*The School Board provided the following written responses:*

- 3.1 *We currently consult with an underwriter on bond matters, but all issues are thoroughly vetted by our Finance Department. Though the GFOA states that "issuers must keep in mind that the roles of the underwriter and the financial advisor are separate, adversarial roles and cannot be provided by the same party," it further states that an outside financial advisor should be hired "unless the issuer has sufficient in-house expertise and access to market information." The district does have that level of expertise in its Finance Department staff, which includes a Cash and Investments Manager and a Director of Finance, with 10 years of school district audit experience.*

*In the matter of negotiated sales versus competitive sales, the GFOA states "research into the subject has not led to universally accepted findings as to which method of sale is preferable" and further states "if the government agency has in-house expertise, defined as dedicated debt management staff whose responsibilities include daily management of a debt portfolio, this analysis and selection could be made by the government's staff."*

- 3.2 *After we identified and publicly reported this concern in October 2010, we made significant changes in the monitoring of bond projects including:*
  - *Moving the bond accounting functions from the Capital Construction department to the Finance department;*
  - *Conducting weekly meetings with the bond accountant, project managers, and Director of Business Operations; and,*
  - *Preparing and reviewing the bond report monthly rather than quarterly.*



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- 3.3 *We plan to take the following actions:*
- *We will regularly monitor change orders to ensure timely approval.*
  - *We will review current practices and procedures and consider whether bidding change orders would increase the efficient and effective use of district resources.*

*The Cherokee Middle School was a uniquely complex project because it combined new construction and remodel work. If many of the change orders had been bid, coordination with multiple contractors for the projects and times of completion would have compromised the timely completion of the overall project.*

- 3.4 *We will review existing policies and procedures and consider whether adding staff to review the certified payrolls to ensure compliance with prevailing wages would increase the efficient and effective use of district resources. Contractors engaged by the school district are required to pay prevailing wage, and the district requires a certified payroll from the contractors to document that prevailing wages are paid. Taking on the task of verifying that prevailing wage is paid by all contractors it works with could require hiring additional personnel thus increasing annual operating expenses.*

- 3.5 *We have formed a long-range facilities planning team to guide the process of creating a long-range facilities plan for the district. We plan to review current practices and procedures and identify ways to improve documentation of future real estate transactions.*

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## **4. Real Estate Transactions**

The district entered into multiple agreements to sell district property to a buyer who has failed to make the required payments and meet other contractual obligations. Despite the buyer's failure to make required payments and meet other contractual obligations, the district has entered into a revised real estate agreement and 2 amendments to that agreement to extend the buyer's obligations to later dates. The latest real estate agreement provides for the district to finance a portion of the purchase price. In addition, the district failed to have the property reappraised to both ensure and document it received a reasonable price. For other real estate transactions the district did not document its reasons for paying more for land than the appraised value and did not retain some of the pertinent real estate documents, and did not obtain an updated appraisal when purchasing a building.

### **4.1 Sale of old Hickory Hills School property**

In April 2006, the district obtained an appraisal of the old Hickory Hills Middle School property, which valued the property at \$3.2 million, with a projected appraised value of \$5.35 million as of April 13, 2010 (the projected date the sale could be completed). In June 2006, the School Board



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authorized a real estate broker to advertise the property for sale. In October 2006, the district negotiated the sale of the property with a buyer through the real estate broker; however, in March 2009, the proposed sale failed.

In September 2009, the district's attorney was contacted by the attorney for a potential buyer, Larino Properties, LLC, and in February 2010, the School Board approved and authorized the sale to this buyer without re-advertising the property or soliciting bids from other potential buyers. The district has entered into multiple agreements and extensions with this buyer since early 2010.

#### Agreements and extensions

The district entered into a real estate purchase agreement with this buyer on March 1, 2010, for a purchase price of \$4,450,000. The agreement required earnest monies of only \$10,000 be placed into a district escrow account, with the balance of the purchase price to be paid at closing. The anticipated closing date was on or before November 15, 2010. The agreement indicated the buyer's intent was to discuss possible financing programs and incentives with various government agencies and organizations. The sale was not finalized and there was no closing or payment of earnest monies under the original real estate purchase agreement.

However, an amended and restated real estate purchase agreement with this same buyer was executed on December 9, 2010, for \$4,450,000 and was closed on January 31, 2011. This agreement provided for the buyer to take possession of the property at the date of closing and required the payment of \$10,000 in earnest monies. It established a temporary promissory note for \$4,440,000, to be paid off on or before June 15, 2011, with a cash payment of \$2,490,000 (\$2,500,000 less \$10,000 earnest monies) and the remaining balance of \$1,950,000 to be financed under a promissory note with the district. The agreement also requires the buyer to complete demolition of the school buildings and grading work to lower the grade of the property even if the agreement is rescinded. In addition, if demolition of the school buildings was not completed by June 15, 2011, the buyer agreed to complete asbestos remediation, provide a letter of credit (guarantee of payment of the unfulfilled obligation) to ensure the completion of the demolition, and relocate the street providing access to the property by June 15, 2011. The promissory note with the district provides for the buyer to make a \$1 million principal payment by no later than December 31, 2015, pay the remaining principal balance of \$950,000 plus any accrued interest on or before December 31, 2017, and make quarterly interest payments based on a simple interest rate of 3 percent. According to agreement terms, the promissory note is subordinate (second in line) to any subsequent loan the buyer may obtain from a bank or financial institution to develop the property. The buyer placed earnest monies of \$10,000 into a district escrow account on February 4, 2011, but failed to make the \$2,490,000 cash payment by June 15, 2011, and also did not meet any of the other requirements of the amended agreement.



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The buyer requested an extension from the district, and the first amendment agreement, effective June 15, 2011, required the buyer to pay a \$50,000 non-refundable cash payment, and extended the amended and restated real estate purchase agreement timelines and deadlines making the \$2,490,000 cash payment due by October 14, 2011. The amendment agreement provides for the \$50,000 to be fully applied to the required cash payment (if and when it is paid); thus, reducing the balance due to \$2,440,000. School Board approval of this amendment occurred at a June 28, 2011, closed session; 13 days after the June 15, 2011, effective date of the amendment agreement. The buyer paid the \$50,000 non-refundable deposit to the district on July 7, 2011, but again failed to make the required cash payment by October 14, 2011, and requested another extension from the district.

The second amendment agreement, effective October 14, 2011, requires the buyer to make monthly non-refundable payments of \$12,500 through the extension period and provides for these payments to be fully applied to the required \$2,440,000 cash payment now due on April 13, 2012; thus, reducing the balance due for payments made during the interim. District records indicate the buyer did make the \$12,500 payments for October, November, and December 2011. This second amendment agreement also required additional consideration from the buyer - to commence demolition of the school buildings on the property on or before December 1, 2011. On November 30, 2011, the buyer sent an email to the district providing a project update and indicating the contractor was "currently in the process of preparing to file" for the internal wrecking permit. The district sent the buyer an email later in the day with suggested wording changes, including a change to "have filed" for the interior wrecking permit. The suggested wording change was approved by the buyer. As of December 1, 2011, the city has not issued any permit allowing for demolition of the school buildings.

#### Status

Had the terms of the original real estate agreement been met, the school district would no longer own the old Hickory Hills school property and would have received the \$4,450,000 purchase price. Had the terms of the amended and restated real estate agreement been met without any extensions, the school district would have received the \$2,490,000 cash payment by June 15, 2011, and would be receiving quarterly interest payments of \$14,625 on the \$1,950,000 promissory note. In addition, the asbestos abatement, grading work, and a letter of credit terms of the agreement would have been met.

Instead the district has an amended and restated real estate agreement with two extensions. Almost 2 years after entering into the original real estate agreement with this buyer and 13 months after the first scheduled closing date, the district has only received \$97,500 of the total \$4,450,000 purchase price and no significant work has been completed related to demolition, asbestos removal, and grading of the property, or relocation of the street providing access to the property. The district has continued to incur legal



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and personnel costs related to the multiple agreements and extensions, and has not received significant monies which could be utilized by the district for other projects. The buyer has been allowed to make payments, all of which will be applied to the purchase price if and when paid; effectively giving the buyer an interest free loan.

It is important to ensure a buyer's financing is in place prior to finalizing real estate transactions. The agreement and extensions the district entered into with the buyer appear to primarily benefit the buyer in that the agreement and extensions essentially provide the buyer with an interest free loan to extend the contract and makes the promissory note subordinate (second in line) to any subsequent loan the buyer may obtain from a bank or financial institution to develop the property.

#### Appraisal

While the district obtained an appraisal in 2006, which projected a value of the property in 2010, the district did not obtain a more current appraisal. The value of appraisal information diminishes over time and should be reconsidered, particularly when there are significant economic and market changes. A current appraisal would have provided a basis for negotiations and additional assurance the district received a reasonable price for the property.

## 4.2 Real estate purchases

Improvements are needed in the district's handling of real estate purchases.

- The district failed to document its reasons for purchasing land (the site of the new Hickory Hills School) for \$258,060 more than the appraised value and failed to obtain the seller's appraisal and charitable contribution form to support the price paid. In March 2007, the district entered into a real estate agreement to purchase 23.46 acres for \$33,000 per acre or \$774,180. However, in April 2006, the district had an appraisal performed which valued the property at only \$22,000 per acre, and the district did not document its reasons for paying more than the appraised value. This land was purchased to build the new Hickory Hills School.

District officials indicated the seller obtained an appraisal performed in November 2006, which valued the property at \$40,536 per acre; however, the district did not obtain a copy of the seller's appraisal to support the price paid. Also, the real estate agreement required the district to provide the seller with an IRS Form 8283-Noncash Charitable Contribution (for the excess of market value based on the seller's appraisal over the sales price of the property). The district did not obtain a copy of this Noncash Charitable Contribution form, and as a result, the district has no documentation of the value of the noncash charitable contribution. We noted other instances where the district failed to document its reasons for purchasing property for more than the appraised value.



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- The district failed to obtain an updated appraisal prior to the purchase of the new administrative center. The district purchased property in October 2009, for new administrative offices (the new Kraft Administrative Center) at the appraised price of approximately \$2.2 million; however, the appraisal was performed in March 2007, and a more current appraisal was not obtained. As a result, the district cannot be assured it received the lowest and best price for this property.

Considering the large investment of district funds, the School Board should document its reasons for purchasing land for more than the appraised value and obtain updated appraisals. In addition, to ensure real estate transactions are properly represented by all parties involved, all applicable documents should be obtained and retained.

## Recommendations

The School Board:

- 4.1 Reevaluate current arrangements and options, ensure compliance with agreements, and consider not entering into such agreements in the future where the buyer does not have financing in place.
- 4.2 Ensure future purchases of real estate are handled appropriately and all supporting documentation related to real estate transaction decisions are obtained and retained. The School Board should also document reasons for disparities between appraised values and sales prices of real estate.

## Auditee's Response

*The School Board provided the following written responses:*

- 4.1 *We plan to evaluate whether obtaining current appraisals for future sales of real estate would increase the efficient and effective use of district resources.*

*The old Hickory Hills property has proved difficult to sell due to the fact that it is suitable only for commercial and retail development, but such development will require extensive improvements and relocation of the public roads in the area, as well as other infrastructure improvements.*

*In April of 2006, the district entered into a real estate contract to sell the property to a buyer with experience in the commercial development of properties of this kind, for a price of \$5,135,000. In the course of subsequent work by the buyer, it was determined that relocation and improvement of the public roads in the vicinity of the property would be required at an approximate cost \$8,000,000. The buyer was ultimately able to reach agreements with the State, City and County to fund these road improvements. However, due to the time delays in reaching these agreements and the intervening*





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*collapse of the commercial real estate market, the buyer was unable to secure an anchor tenant for the property. In March of 2009, the sale was cancelled.*

*In September of 2009, the district's attorney was contacted by an attorney for another buyer. In February of 2010, the School Board approved the first agreement with this buyer, which provided for a cash sale price of \$4,450,000. However, the buyer confronted substantial difficulties in proceeding forward with the development of the property, primarily due to the public road and infrastructure improvements that were required and the continued deterioration of the commercial real estate market. The district ultimately entered into an amended and restated real estate contract with the buyer in December of 2010 which provided for a purchase price of \$4,450,000, with \$2,500,000 to be paid in cash before the buyer proceeded with any commercial development of the property, and the remaining amount (\$1,950,000) to be paid over time with the final payment due by December 2017.*

*In evaluating whether to proceed forward with this transaction, the district properly considered (1) whether it could actually sell the property and receive significant proceeds in light of the substantial cost of the road and other infrastructure requirements to develop the property; (2) the economic benefits and employment for district residents and businesses resulting from approximately 8 million dollars in public road construction and improvements, and an estimated 15 million dollars in private construction on the property; (3) the permanent positions of employment that will be created in the district by the commercial and retail development of the property; (4) the property tax revenue the district would receive from this development, estimated at more than \$250,000 per year; and (5) that if the buyer does not close on the contract the old school building will be demolished, the asbestos present in the building will be removed, and the property will be graded so that it is in a developable condition, all at no cost to the district and to the substantial benefit to the district. These factors were proper for the School Board to consider in deciding whether to enter into the contract with the buyer, and consideration of these factors has been approved by Missouri Courts. See *Moschenross v. St. Louis County*, 188 S.W.3d 13, 22 (Mo. App. 2006) (cited with approval in *Manzara v. State of Missouri*, 343 W.W.3d 656, 677 (Mo. Banc. 2011) (Wolff concurring)).*

*With regard to not obtaining an appraisal of the old Hickory Hills property in 2010, this was done in order to save the district the additional cost of the appraisal and because the real estate market had collapsed after the 2006 appraisal. An appraisal was obtained*



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*by the buyer's lender dated November 28, 2011, which values the property at \$3,822,000.*

- 4.2 *We have commenced scanning all documents and maintaining them in a central database to ensure supporting documentation of real-estate transactions is archived and readily accessible.*

*An updated appraisal for the future Kraft Administrative Center site was not obtained because initial negotiations pertaining to the purchase commenced soon after the original appraisal.*

## 5. Procurement Procedures

District procedures for selecting and contracting for goods and services are not sufficient. Professional services are frequently obtained without benefit of a competitive selection process, and bidding decisions were not well documented.

### 5.1 Professional services

The district did not solicit requests for proposals for several professional services. Without requesting proposals for professional services, the district has not ensured it has received quality services at a fair price.

#### Legal services

The district has used the same attorney for at least 25 years without periodically conducting a selection process. The district also does not have a written agreement with its attorney for legal services provided. The district paid \$596,104 for legal services during the 2 years ended June 30, 2011.

#### HBT Fund consulting services

The district has used the same consulting services for the HBT Fund since 2003, without periodically conducting a selection process. The district also has not renewed the contract with this consultant since 2005, and the consultant is performing duties which are not in compliance with contract terms. The district has paid this consultant \$37,500 annually from the HBT Fund.

The contract requires requests for proposals (RFPs) for services be solicited by the district purchasing office, specifies the consultant's only involvement in the RFP process shall be to assist with the preparation of the RFPs and the evaluation of responses to the RFP submission, and states the consultant will not act in any capacity as a broker or broker of record on behalf of the district. However, the consultant is acting as a broker for the district for the following services: primary provider organization, third-party administrator, dental administration, employee assistance plan, and stop-loss insurance, which is contrary to contract terms. By allowing this consulting firm to act as the broker for these services, the district is relying heavily on this firm to make significant decisions and has less assurance that decisions made are in the best interest of the district.

#### Transportation consulting services

The district did not solicit proposals prior to contracting for transportation consulting services. In April 2008, the district hired a consultant to perform



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an evaluation of its transportation operations. In June 2008, after the evaluation was completed, the consultant was hired to manage district transportation operations. The district paid \$206,450 for consulting and management services from April 2008 through May 2009.

### Conclusion

Soliciting proposals for services is a good business practice, helps provide a range of possible choices, and allows the district to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions be in writing.

### 5.2 Engineering and surveying services

While the district has established procedures for evaluation and selection of engineering services, the district did not follow its procedures for evaluating and selecting an engineering firm used for the HVAC project at Jarrett Middle School. The district paid this engineer \$204,752 during the 2 years ended June 30, 2011. In addition, the district did not follow its procedures for evaluating and selecting a geologic engineering firm used for the new Hickory Hills School construction project. The district paid \$47,446 for these services during the 2 years ended June 30, 2011. While the district has an approved list of engineers, these firms were not on the list.

The district also did not document its evaluation and selection of surveying services. The district paid \$21,941 for surveying services during the 2 years ended June 30, 2011.

Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating such services.

### 5.3 Contract procurement and vendor donations

Concerns were identified related to contracts awarded by the district, based at least in part, upon donations given/promised by the contracted vendors.

- While the district solicited proposals for custodial management services in 2010, the RFP did not contain provisions or requests for vendor donations. The vendor awarded the contract submitted a bid to the district offering a \$125,000 donation over a 5 year period. The district awarded the contract to this vendor, at least in part, because of the donation, and provisions requiring the donation to be provided were included in the contract by the district. District officials indicated the donation will be used for district equipment purchases and improvements, facility asset improvements, and student scholarships. The district paid this vendor more than \$2 million during the 2 years ended June 30, 2011.
- In June 2011, the district awarded a 5 year contract to a local vendor to exclusively provide beverages to the district, at least in part, because of



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a \$212,500 donation. While the RFP stated the bidder should specifically identify any donations (monetary or nonmonetary) to be given, the RFP did not specify the evaluation criteria or the value applied in the evaluation process for the consideration of a donation.

In order to ensure fair competition among potential bidders and demonstrate it has received the best services at a fair price, the district should ensure RFP provisions and evaluation criteria clearly identify all items bidders need to address in their proposals. It is also important that district evaluation documents and contracts are consistent with the RFP provisions.

#### 5.4 Bid specifications and evaluations

Bid specifications prepared by the district sometimes limit potential bidders, and concerns were noted with the development and evaluation of some RFPs.

- The former Transportation Director, who was hired by the district in May 2009, developed the specifications required for the RFPs for the purchase of digital video systems (cameras) for school buses in July 2009, recommended vendors to receive the RFPs, and served on the RFP evaluation committee and provided input regarding the ultimate vendor selection. The district received eight proposals for bus cameras; however, the district's evaluation of these proposals indicated seven of the eight proposals failed to meet a bid specification requiring the mounting system for the cameras to meet or exceed military grade standards. The only vendor that could meet the bid requirement was the former Transportation Director's previous employer and that vendor was awarded the bid. The district paid this vendor \$312,159 during the 2 years ended June 30, 2011. One of the other bidders formally complained to the district that specifications were written unnecessarily stringent to allow only one vendor to meet the bid specifications. The district had no documentation to show how this formal complaint was resolved. In addition, while district officials indicated the district advertised for bids on its website, the district did not retain any documentation of this process. While the former Transportation Director's insight and knowledge may have been valuable to the RFP process, the district has an obligation to ensure potential conflicts of interest and opportunities for personal gain are avoided and any concerns resolved.
- The district issued an RFP in March 2010, to two school bus vendors for the purchase of new school buses. The bid specifications stipulated the buses could not use additives to meet emission requirements, although this practice is allowed and used by many bus manufacturers. As a result, only one of the vendors contacted could meet the bid specifications and was subsequently awarded the bid. The district paid this vendor \$358,060 for school buses during the 2 years ended June 30, 2011. In addition, the other school bus vendor formally requested the



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district to re-consider the stringent bid specifications because it would allow all manufacturers of buses to supply a fair and equal proposal to the district. Upon our questioning of these strict bid specifications, the district's Transportation Director indicated the district is currently re-evaluating its requirements for buses. In addition, while district officials indicated the district advertised for bids on its website, the district did not retain any documentation of this process.

Open and competitive bidding using reasonable bid specifications helps ensure all interested vendors are given an equal opportunity to participate in district business and the district receives the best goods and/or services for the best price. In addition, employees of the school district serve in a fiduciary capacity. Personal interest in business matters of the district could create the appearance of or actual conflicts of interest.

## Recommendations

The School Board:

- 5.1 Solicit proposals for professional services, enter into written agreements for professional services, renew contracts to extend the terms, and ensure compliance with contract terms.
- 5.2 Comply with state law and district policy when procuring engineering and surveying services and document the evaluation and selection process.
- 5.3 Ensure RFP provisions and evaluation criteria clearly identify all items which should be addressed in proposals and that will be considered during the evaluation process.
- 5.4 Ensure bid specifications are not unnecessarily stringent and more closely examine district transactions to identify and avoid conflicts of interest.

## Auditee's Response

*The School Board provided the following written responses:*

- 5.1 *We plan to take the following actions:*
  - *We will formalize a contract for legal services commencing with the 2012-13 school year.*
  - *We will amend the HBT fund consulting services contract to allow for the development and marketing of requests for proposal for contracts related to the health plan.*

*There is no requirement to bid professional services. Where a specific expertise or specific knowledge of the school district is required, the district does not bid out professional services. This is the case for legal services.*



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*The school district has the in-house expertise to consider recommendations made by the consulting firm and to weigh differing views in order to make independent decisions. Given this unique expertise, the district believes that the firm serves in an advisory capacity and not "to make significant decisions" as was stated in the audit report.*

*When faced with the sudden departure of the Director of Transportation, the district temporarily contracted with the consultant, who had knowledge and expertise regarding the district's transportation operations, to ensure continuity and quality of transportation services until a permanent replacement could be hired.*

- 5.2 *We plan to review state law and district policies to ensure that appropriate procedures are followed when contracting for engineering and surveying services. Due to a clerical error, the firms used should have been on the list of approved engineers but were inadvertently omitted.*
- 5.3 *We will ensure RFP provisions and evaluation criteria clearly identify all items which should be addressed in proposals and that will be considered during the evaluation process.*
- 5.4 *We will consider whether bid specifications are unnecessarily stringent when creating future RFPs.*

*We were aware of the Transportation Director's prior relationship with a specific vendor and took great care to ensure that the process was properly followed. Specification for the camera-mounting system was included to ensure the long-term durability of the mounting system. The specification that buses could not use additives to meet emission requirements was included so that the school district could avoid having to purchase new inventory and equipment to accommodate the use of the additives as well as having to train employees on the use of the additives. While each of these specifications was discussed by district staff, documentation of the discussions was not maintained.*

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## 6. Contracts

Improvement is needed in the district's handling of contracts.

### 6.1 Service contracts

The district has entered into numerous long-term service contracts that cost the district a substantial amount each year. Various problems were noted with these contracts and/or the selection of the providers. Cost analyses were not always performed when appropriate, contracts were sometimes entered into without soliciting proposals from other service providers or



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clearly documenting why proposals were not sought, and contracts did not always include provisions allowing for auditing or monitoring of vendor records so the district could better monitor costs and performance measures periodically. The following are examples of service contracts in effect during the 2 years ended June 30, 2011, for which the district did not perform adequate cost analyses, bidding, or monitoring of billings and performance.

- The district paid approximately \$8 million for substitute services during the 2 years ended June 30, 2011. Approximately \$1.5 million of this amount was for administrative costs. The district has not solicited bids for these services or updated a cost analysis since 2007, when the district initially entered into this contract. The initial cost analysis indicated the district would spend more than the district had previously spent managing these services in house. The annual cost of these services has increased by more than \$1 million from 2009 to 2011. The district also did not include provisions in this contract to audit vendor records and billings. In addition, the contract provisions allow the arrangement to continue indefinitely until canceled by either party.
- The district paid a vendor over \$11.2 million and \$2 million during the 2 years ended June 30, 2011, to provide food and custodial management services, respectively. This vendor has provided district food management services since 1991 and custodial management services since 2003. Although these services are periodically bid, no cost analyses have been conducted to evaluate if the costs are reasonable and if outsourcing continues to be the most cost beneficial method for providing these services. While food management service costs have fluctuated from year to year, the average annual cost has increased significantly and was more than 40 percent higher for fiscal year 2011 than costs for fiscal year 2005. Similarly, custodial management service costs have fluctuated from year to year, and costs for fiscal 2011 totaled approximately \$1.2 million or 53 percent more than costs for the first full year of the contract (fiscal year 2007). Because the district did not include audit provisions in either contract, there is less ability to monitor the vendors and gain assurance that services provided and amounts paid are reasonable and appropriate.
- The vendor which provides asbestos removal services was paid \$243,318 during the 2 years ended June 30, 2011, and while the district indicated it bid these services in 2008 and entered into a 13-year contract, bid documentation was not retained.
- The district paid a pharmacy benefit provider over \$3.7 million and \$3.3 million in prescription claims during the years ended June 30, 2011 and 2010, respectively. The district entered into a contract with this provider



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containing provisions other than those outlined in the RFP. The RFP provided for a 1 year contract with two optional 1 year renewals; however, after proposals were reviewed in 2006 the district entered into a 3 year contract with two optional 1 year renewals without rebidding this service. In addition, the district did not select the lowest bid and failed to document its reasons for selecting other than the lowest bid.

- The district paid a dental benefit provider over \$1.3 million and \$1.2 million in dental claims and over \$130,000 in administrative fees annually during the years ended June 30, 2011 and 2010, respectively. Proposals for this service have not been sought since 2007, and the district entered into a contract in January 2008, that provides for 1 year contract renewals until either party terminates the agreement.

Given the costs associated with these services, it is essential cost analyses be periodically performed, periodic competitive bidding be considered, and audit provisions be included in contracts. Continued examination of contracts by the district administration will help ensure district funds are spent wisely, and the best method of providing services (outsourcing versus in-house) is periodically evaluated.

### 6.2 Written contracts and contract compliance

The district did not always enter into formal written contracts defining services provided and benefits received, and did not monitor some contracts for compliance.

- The district entered into an oral agreement with Ozark Technical College to provide vocational technical classes to students. The district paid this college approximately \$1.1 million for providing these classes during the 2 years ended June 30, 2011.
- Based upon an oral agreement, the district provides accounting and payroll services to the Missouri Reading Initiative (MRI) Program in exchange for an 8 percent administrative fee of MRI disbursements. The district received administrative fees totaling approximately \$146,000 during the 2 years ended June 30, 2011.
- The district did not ensure Missouri State University (MSU) complied with the terms of a contract executed in March 2006, for research services. The contract required interim and final reports containing the scope of the work conducted and findings and conclusions of each research project. However, at the time of our request in April 2011, the district did not have any documentation of research project reports prepared by MSU. The district was only provided advisory board meeting notes from MSU. A review of these notes show discussions of potential research programs for the ten participating school districts, but do not document findings and conclusions related to these research programs. Additionally, the contract indicates the district is to make





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payment to the university 10 days following the receipt of the final report. The district paid MSU approximately \$24,000 annually for these research services.

Clear and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions be in writing. In addition, the district should monitor contracts to ensure compliance with contract terms.

### 6.3 Subsidization

The district subsidizes various operations of the Springfield Public Schools (SPS) Foundation, Missouri State Teachers Association (MSTA) and the National Education Association (NEA), and has not entered into written agreements with these organizations.

#### SPS Foundation

The district provided office space, utilities, and telephone services to the SPS Foundation free of charge. The district also provided financial support totaling approximately \$110,000 and contributed services (accounting services) valued at \$12,000 according to the foundation's audited financial statements during each of the years ended June 30, 2011 and 2010.

The SPS Foundation is a not-for-profit corporation established to provide financial support and assistance to the district. The district processes all expenses of the SPS Foundation (except payroll costs) through the district accounting system, and is later reimbursed. The Community Foundation of the Ozarks (CFO), a not-for-profit organization that serves as a financial advisor and investment manager to the SPS Foundation, reimburses the district for these expenses at the end of each month. The district paid expenses totaling \$669,291 and \$746,072 on behalf of the SPS Foundation during the years ended June 30, 2011 and 2010, respectively.

The district has not entered into a written agreement with the SPS Foundation to address office space, services, and financial support provided, or a requirement to reimburse the district for the expenses paid on behalf of the SPS Foundation. Additionally, the district does not reconcile the amount of expenses paid on behalf of the SPS Foundation to the reimbursements received from the CFO, and cannot be certain all applicable expenses have been reimbursed.

#### MSTA and NEA

The district subsidizes some operating expenses of the MSTA and the NEA. The district provides financial support of \$12,500 annually to each of these organizations; and provides office space, as well as utilities, to the MSTA, at an annual cost of approximately \$2,600. The district has not entered into written agreements with the MSTA and NEA regarding these arrangements. In addition, while the district paid some operating expenses of these organizations through its accounting system and subsequently billed for reimbursement of these amounts in September 2010, the district did not



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ensure amounts billed were collected in a timely manner. The MSTA did not reimburse the district until April 26, 2011, after we questioned the unpaid September 2010 bill.

The district is currently reconsidering this subsidy and therefore, has not billed either of these organizations for expenses incurred during the year ended June 30, 2011.

Written contracts that clearly indicate the benefit to the district for these subsidizations are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. The district should also ensure all amounts paid on behalf of other entities are fully reimbursed and amounts billed are collected in a timely manner.

### 6.4 Contract provisions

The district has not utilized some contract provisions to conduct audits of services provided and amounts paid, and did not require audit clauses in other contracts.

While the district contract with its third-party administrator (TPA) of the HBT Fund provides for the district to conduct audits of procedural and system controls, plan provisions, claims, and performance measures, the district has not obtained an audit of the TPA since 2005. The district paid approximately \$23 million and \$21 million in medical, prescription, and dental claims and approximately \$467,000 and \$470,000 in administrative fees to this company during the 2 years ended June 30, 2011 and 2010, respectively. In addition, the 2005 audit identified concerns in several areas, including coordination of benefits with other health insurance, coding errors in physician and hospital claims, and several payment errors. The district was unable to provide documentation indicating these concerns and errors were followed up by the district.

Additionally, the contract with the primary provider organization (PPO) provides for the district to conduct audits of covered services and participating providers; however, an audit of the PPO has not been obtained by the district since entering into this contract at least 5 years ago. Medical claims paid by the TPA to the PPO on behalf of the district totaled approximately \$18 million and \$17 million during the 2 years ended June 30, 2011 and 2010, respectively.

Further, the district has not included audit provisions in other significant contracts, such as its dental plan administrator, before and after school care provider, and vending providers.

Contract provisions allowing audits of vendor records, and periodically conducting or obtaining such audits would provide the district added



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assurance that services provided and amounts paid are reasonable and appropriate.

## Recommendations

The School Board:

- 6.1 Perform and update cost analyses, periodically solicit proposals for all services, ensure adequate documentation is maintained to support the evaluation and selection process, and include provisions in contracts to better monitor costs and performance measures. In addition, the district should continue to examine the need for certain service contracts and take appropriate action as necessary.
- 6.2 Enter into written agreements defining services provided and benefits received, and monitor contracts for compliance.
- 6.3 Discontinue the practice of subsidizing operations and activities of the SPS Foundation and teacher organizations or enter into written agreements that clearly indicate the benefit to the district for these subsidizations. The School Board should also implement procedures to reconcile expenses paid to reimbursements and for proper follow-up of unpaid amounts.
- 6.4 Conduct periodic audits of vendors as allowed by contract, and consider including provisions for audits in other significant contracts.

## Auditee's Response

*The School Board provided the following written response:*

- 6.1 *We plan to take the following actions:*
  - *We will perform cost analyses prior to contract renewals.*
  - *We will consider adding audit provisions in vendor contracts.*
  - *The district's bid cycle is typically 3-5 years, depending on the complexity of the service. As these contracts come up for renewal, the district will include an expiration date.*
  - *We will maintain adequate documentation of the evaluation and selection process.*

*The \$1.5 million in administrative costs (substitute services) includes charges for workers compensation, payroll taxes, and training, as well as the fees for administering the contract. In addition, while the costs associated with this service have increased from 2009-2011, it should be noted that the majority of this increase can be attributed to the vendor's improved effectiveness at filling substitute requests as compared to the costs incurred when the district managed the program.*



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*The \$11.2 million referenced in the finding is for all payments to the food service vendor, not just the management fees. This would include purchases of food, supplies, and equipment, and repairs of equipment. Thus, the 40% increase in food service costs over the last six years, referenced in the audit, would include the increase in the cost of food as well as an increase in the number of meals served. The increase in number of meals was 17% over the same time period. The increase in cost of food, per the Bureau of Labor Statistics, was 24% over the same period. For the referenced period, the food service management fees increased from \$863,173 in 2005 to \$1,043,761 in 2011. This fee is volume based and would have increased if only because of the increase in the number of meals served.*

*The \$2 million referenced in the finding is for all payments to the custodial service vendor, not just the management fees. This would include purchases of supplies and equipment and repairs of equipment. For the referenced period, the custodial management fees increased from \$617,586 in 2007 to \$624,200 in 2011.*

6.2 *We plan to take the following actions:*

- We will develop a formal written contract with the college for vocational technical education with the start of the next school year.*
- We will enact a new contract with the MRI program should the district elect to continue the relationship beyond the current school year.*

*We believe that all requirements within the cooperative agreement with MSU have been fulfilled.*

6.3 *With the advent of collective bargaining, we notified MSTA and NEA representatives that the school district will discontinue its practice of subsidization effective July 1, 2012. We plan to review the practice of subsidizing the Foundation for Springfield Public Schools and, should the district elect to continue the relationship beyond the current school year, develop a written contract which clearly defines the benefits derived from this relationship. Some of the expenses identified in the audit as paid on behalf of the SPS Foundation are grant awards made by the Foundation to school sites and programs. These expenses were reimbursed by the Foundation to the district. However, the SPS Foundation recently initiated a change in practice and has started paying their expenses directly. This new practice should be completely implemented by the end of January 2012, obviating the need for the district to perform monthly reconciliations of SPS Foundation expenditures and reimbursements.*



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6.4 *We plan to consider the need to hire additional personnel to perform audits of the Third Party Administrator and Preferred Provider Organization and will add the audit provisions to other significant contracts.*

*Fully implementing auditor's recommendations concerning vendor audits could require hiring additional personnel thus increasing annual operating expenses.*

## 7. Fuel Use and Charter Bus Services

Controls and procedures over fuel use and charter bus services need improvement.

### 7.1 Fuel and use records

Controls and procedures over fuel use and purchases need improvement. The district purchased more than \$1.6 million of fuel during the 2 years ended June 30, 2011.

- Fuel use reports generated from the automated fuel system are not reconciled to fuel purchases. The district maintains three fueling stations used to fuel all district school buses and some district owned vehicles and equipment. The district uses an automated fueling system to track fuel use. Each time a vehicle or equipment item is fueled, the system documents the employee fueling, current date and time, and amount of fuel dispensed. The system also requests current odometer or hour meter readings; however, this information is not required and is not always entered by the person fueling. Reports generated from this system are not reconciled to purchases. In addition, due to damage to one of the fueling stations in 2010, the automated fuel system was not used and fuel use was not tracked. The fueling system was repaired in August 2011. Without complete reports and reconciliation procedures, the district has less assurance that fuel use and billings are proper.
- The maintenance department utilizes 77 vehicles. While maintenance department employees prepare daily route sheets, the daily route sheets do not document the number of miles driven each day. In addition, mileage logs are not prepared for 3 of 12 security department vehicles, and prior to August 2010, mileage logs were not retained for any of the security department vehicles. As a result, fuel efficiency and reasonableness of use cannot be effectively monitored for maintenance and security department vehicles.

Procedures for reviewing fuel used and reconciling use to fuel purchased and on hand are necessary to ensure the reasonableness and propriety of fuel use and disbursements. In addition, mileage logs are necessary to document



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the appropriate use of vehicles, and to support fuel charges. Failure to account for fuel use could result in theft and misuse going undetected.

## 7.2 Charter bus services

The district utilizes ten local charter bus services; however, the district has not established adequate policies and procedures to determine whether a district bus should be used or if charter bus service is needed. The district spent more than \$500,000 during the 2 years ended June 30, 2011, for charter bus services. Charter bus services were used for class field trips, athletic events, and other student activities. The district did not maintain documentation to show whether a district bus was available or if charter bus service was needed for the trips we reviewed. The district should establish policies and procedures and maintain documentation to determine whether charter bus services are actually needed for district events.

## Recommendations

The School Board:

- 7.1 Ensure a documented periodic reconciliation of fuel purchased to amounts used is performed, and investigate any significant discrepancies. In addition, the School Board should ensure mileage logs are maintained for all district vehicles.
- 7.2 Establish policies and procedures and maintain documentation regarding the need for charter bus services.

## Auditee's Response

*The School Board provided the following written responses:*

- 7.1 *We plan to take the following actions:*
  - *We will perform a documented periodic reconciliation of fuel purchased to amounts used and investigate any significant discrepancies.*
  - *We will consider the need for mileage logs.*
- 7.2 *We plan to establish policy and procedures regarding use of charter bus services and consider the need for maintaining documentation.*

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## 8. District Compensation and Vehicle Allowances

Concerns relating to employment contracts, additional compensation, and vehicle allowances were noted.

### 8.1 Employment contracts and stipends

District procedures related to employment contracts and stipends need improvement.

- The district does not have formal written employment contracts with staff reporting directly to the Superintendent. For example, the Chief Financial Officer (CFO) and the Director of Human Resources (HR) do



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not have formal written employment contracts. The CFO is paid a base salary of \$107,266, a stipend of \$12,000, and a vehicle allowance of \$4,800, annually. The HR Director is paid a base salary of \$112,838, a stipend of \$5,000, and a vehicle allowance of \$4,800, annually.

Additionally, it is unclear why the CFO and HR Director receive stipends for additional responsibilities. District personnel indicated these stipends are for supervising departments within the business operations office, and collective bargaining and negotiations, respectively. These responsibilities are included in their job descriptions and therefore, do not appear to represent additional responsibilities.

- The school district has not established adequate policies and procedures regarding stipends, and adequate documentation of the stipend amounts paid to employees for responsibilities performed outside their normal contracted duties is not always retained. The district paid approximately \$2.6 million each year in stipends to 678 and 877 district employees for the 2010-2011 and 2009-2010 school years, respectively.

A letter of appointment is typically executed between the district and the employee for assuming additional responsibilities. The letter of appointment states the employee shall be compensated for the additional responsibilities according to the district salary schedule.

Of 14 employee personnel records reviewed for this issue, 4 did not have adequate documentation to support the stipends paid. For one employee, who was paid a stipend of \$12,212, the personnel file did not contain a letter of appointment and the employment contract did not address any additional responsibilities or compensation. For three other employees, paid stipends totaling \$50,718, personnel files contained no documentation to support amounts paid and these amounts could not be traced to the district salary schedule.

Formal written employment contracts which clearly define all contractual terms are necessary to ensure all parties are aware of their duties, responsibilities, and benefits and to prevent misunderstandings. Further, adequate policies and procedures regarding stipends, and preparation of extra duty contracts which specify stipend amounts and related duties are needed to adequately support such payments and clarify the process.

## 8.2 Vehicle allowances

The district has not documented the basis of how monthly vehicle allowances paid to various employees were determined. The vehicle allowances are intended to compensate employees for driving personal cars within the district to conduct district business. Mileage incurred outside the district is compensated through employee expense reimbursements. The district paid nine employees a total of \$43,200 for vehicle allowances during each of the 2 years ended June 30, 2011. The district pays monthly vehicle allowances of \$600 to the Superintendent; \$400 to the Deputy



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Superintendent of School Operations, Associate Superintendent of Education Services, Chief Financial Officer, Director of Human Resources, Executive Director of Elementary Education, Executive Director of Middle School Education, and Director of High School Education; and, \$200 to the Coordinator of Cultural Diversity. Using the district's current mileage reimbursement rate of 51 cents, the monthly allowance paid to these employees represents 1,176, 784, and 392 miles per month, respectively. While all payments made were reported as taxable income, the district should periodically review the reasonableness of the mileage allowances paid and, if necessary, adjust the allowances to reasonably reflect the actual expenses incurred by the employees on behalf of the district.

## Recommendations

The School Board:

- 8.1 Enter into formal written employment contracts with employees, when applicable. The School Board should also establish adequate policies and procedures to address stipends. The policy should require extra duty contracts be prepared, which specify the stipend amount and duties to be performed.
- 8.2 Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable employees.

## Auditee's Response

*The School Board provided the following written responses:*

- 8.1 *We have taken the following actions:*
  - *We have eliminated additional duty stipends for all employees reporting directly to the Superintendent.*
  - *We have placed the Chief Financial Officer on a contract effective July 1, 2011.*

*We plan to take the following actions:*

- *We will take steps to ensure that all employment agreements outline complete descriptions of additional responsibilities to be performed.*
- *We will evaluate the need to place the HR director on a contract.*

*There are no federal, state or local requirements that school districts must issue contracts to staff who do not have teaching certifications. These non-teaching staff are placed on the Board approved salary schedule. The CFO is the only non-certificated administrator who has a formal written contract for the 2011-12 school year.*

*Duties for which the Director of HR and Chief Financial Officer received additional responsibility stipends, prior to July 1, 2011,*





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*were not a part of their respective job descriptions at the time they accepted their new positions and their initial salaries were assigned. Therefore, the additional responsibility stipend was provided as compensation for duties added to their jobs subsequent to their being hired.*

*The letters of appointment do not state the amount of additional compensation because the Board has not yet approved any salary increases at the time the letters are written.*

- 8.2 *We plan to calculate any auto allowance provided to employees in the future based upon data reflecting actual vehicle expenses. Currently the only district employee receiving an auto allowance is the Superintendent and the terms of that allowance are outlined in his employment contract.*

## **9. Payroll Controls, Procedures, and Records**

Significant improvement is needed related to payroll controls, procedures, and records.

### **9.1 Personnel records**

Personnel records for several employees were not complete, and the district did not ensure documentation was retained to support the proper employment of a foreign national.

- District officials indicated numerous records, including employee Forms I-9, were damaged in a flood in March 2009, and subsequently destroyed by the district. The district did not require these forms to be recompleted by employees. As a result, a completed Form I-9 was not maintained for several employees.

The Department of Homeland Security OMB Form Number 1615-0047 requires each new employee hired after November 6, 1986, to complete a Form I-9. The Form I-9 must be retained by the employer and made available for inspection by U.S. Government officials including the Department of Homeland Security, Department of Labor, and Office of Special Counsel for Immigration-Related Unfair Employment Practices. According to information provided on Form I-9, an individual may not begin employment unless this form is completed. Employers are subject to civil or criminal penalties if they do not comply with the Immigration Reform and Control Act of 1986.

- The district did not have documentation to support the current employment of a foreign national. District records included only employment authorization documentation which expired on



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December 2, 2004. At our request, the district obtained documentation to verify this employee is currently a U.S. citizen. According to the Department of Homeland Security handbook for employers, employers are required to re-verify employment authorization no later than the date on which the employee's employment authorization document expires.

Complete personnel records should be maintained for all employees to provide documentation of personnel actions and to provide readily accessible work histories. The personnel files should contain a Form I-9 for each employee and current work authorization documentation.

## 9.2 Segregation of duties

Payroll duties are not always adequately segregated. The district has established procedures for an employee in the school security, nutritional services, transportation, building maintenance, custodial, and staff development departments to receive documentation of time worked or leave taken, review the documentation for accuracy, and report information to the payroll department for processing. Other employees report absences to the substitute services vendor, and a benefits representative in the human resources (HR) department reviews the information provided by the substitute services vendor before submission to the applicable departments.

- The payroll clerk for the transportation department does not process her own payroll information; however, she does have the ability to make swipe cards used by employees for department electronic time clocks, adjust and set bus routes, adjust hours worked, adjust rates of pay, and enter leave usage into the district payroll system without any supervisory review or approval thereby increasing the risk of error and improper transactions. The payroll department only receives a report showing the successful transfer of payroll information from the transportation department before issuing payroll checks. All other supporting payroll documentation remains at the transportation department and is not reviewed by the payroll department for accuracy.
- A benefits representative is responsible for manually entering absences (for employees who do not report absences to the substitute services vendor or work for the departments noted above) into the payroll system, making changes in type and amount of leave taken in the payroll system, importing and exporting the report of absences and related invoices received from the substitute services vendor into the district payroll and accounting systems, reviewing all reports received from the substitute services vendor, and correcting information reported by the vendor. In addition, a documented supervisory review of these records is not performed.



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Proper segregation of duties helps ensure all transactions are accounted for properly. If proper segregation of duties is not possible, a timely supervisory review of the work performed is necessary.

### 9.3 Substitute services

The district has not established adequate procedures to reconcile amounts paid to services provided by the substitute services vendor. The district contracted with a substitute services vendor to provide substitute employees and to track and report absences for all teachers and some administrative and support staff. The substitute services vendor has established a secured website to allow employees to enter their absences into the vendor's accounting system. Based on the employee's assigned job, the system determines if a substitute should be dispatched or if the employee is reporting an absence and needs no substitute.

- Each school or department does not always review and approve reports of substitutes to be billed, which are provided electronically to each school/department by the substitute services vendor. If a school/department fails to accept or reject the weekly report of substitutes, the vendor's system automatically approves the transactions and bills for all substitutes listed. No further approval is required by the district to process the billing once it is received electronically; therefore, the district has no assurance the amount billed and paid is accurate. At our request, the vendor provided a report of all transactions which were automatically approved by the vendor's system between March 29, 2010, and May 2, 2010, and of the 2,913 substitutes reported, 566 or 19 percent were system approved.
- While the district receives a report of absences and a billing for substitutes from the substitute services vendor, no comparison of these reports is completed to ensure amounts billed for substitutes are correct. In addition, a comparison is not completed between the vendor-provided report of absences and employee leave records maintained by the district to ensure leave is properly charged. During our review of billings and absences for a week, we noted several discrepancies. For example, district leave records for one employee indicated 11 days of accrued vacation were used; however, supporting documentation indicated he was only absent 6 days. A comparison of the vendor report to district leave records would have potentially identified the manual change and error. Additionally, we noted absences are not always reported timely. For example, an employee did not report an absence in the substitute services vendor system, which occurred on October 16, 2009, until April 6, 2010, 172 days after the date of the absence.

The district should establish adequate monitoring procedures to ensure amounts paid to the substitute services vendor and leave records are accurate, and any discrepancies should be investigated.



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## 9.4 Related employees

A list of related employees is not maintained and monitored by the HR department, and the district has not established adequate policies and procedures related to the hiring, supervising, or tracking of related employees. The absence of data on related employees weakens internal controls and may result in conflicting situations. Identifying and maintaining documentation of related employees is important to determine and monitor conflicting related party situations.

## Recommendations

The School Board:

- 9.1 Ensure personnel records are complete and documentation is retained to support the proper employment of foreign nationals.
- 9.2 Segregate payroll duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 9.3 Establish adequate reconciliation procedures to verify the propriety of substitute services vendor billings and ensure the accuracy of employee leave records.
- 9.4 Establish policies and procedures to identify and monitor related employees.

## Auditee's Response

*The School Board provided the following written responses:*

- 9.1 *We have taken the following actions:*
  - *We have initiated a process to re-obtain Form I-9s for all employees. The project is anticipated to be completed by the end of January 2012.*
  - *We have implemented process changes to ensure that expired employment authorization documents are flagged and updated documentation is obtained.*
- 9.2 *We plan to review processes involving the transportation payroll clerk and benefits representative to determine if segregation of duties can be improved with existing personnel.*

*Fully achieving segregation of duties could require hiring additional personnel thus increasing annual operating costs.*
- 9.3 *We will take the following actions:*
  - *We will consider whether it is possible with existing staff to establish reconciling procedures of amounts paid to services provided by substitute services vendor, and absences recorded by the substitute services vendor to leave balances maintained by the district.*



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- *We will consider modifying our process to monitor and follow up with sites that consistently allow the automatic approval default of substitute services.*

*Fully achieving these actions could require hiring additional personnel thus increasing annual operating costs.*

- 9.4 *Though the school district does not allow related employees to be in a direct reporting situation, the district will consider implementing a policy or administrative practice pertaining to the employment of related employees. There is no federal, state or local legal requirement to maintain a list of related employees.*

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## 10. Disbursements

Weaknesses were noted in controls and procedures over disbursements.

### 10.1 Manual checks

The approval process for manual checks could be improved. The district issued 31 manual checks totaling over \$1.9 million during the 2 years ended June 30, 2011. While a list of disbursements is provided to the School Board each month, the lists did not include 10 of these manual checks totaling over \$213,000. For example, a manual check written for the purchase of furniture and equipment for the Hickory Hills School totaling \$99,844 did not appear on the list provided to the School Board. District policy states manual checks should only be issued in the case of an emergency. The purchase of this furniture and equipment did not constitute an emergency, and other manual checks issued also did not relate to emergencies. Further, district policy requires all checks be signed by the School Board President and School Board Treasurer; however, we noted manual checks are signed by the district Investment Manager and Accounting Manager.

To ensure disbursements are an appropriate use of district funds, the School Board should perform and document an adequate review of manual checks. Complete lists of disbursements, including all manual checks, should be prepared and submitted for the School Board's review. Also, district policy should be followed regarding signature authority.

### 10.2 Purchase orders

While district purchasing procedures require purchase orders be prepared and approved by the applicable employees prior to purchase for all disbursements over \$1,000, 17 purchase orders totaling \$715,555 of 55 reviewed were prepared as late as 105 days after the date of the invoice.

To ensure the validity and propriety of disbursements, purchase orders of all types should be completed prior to the date of invoice in accordance with district procedures.



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### 10.3 Late payments

The district failed to pay several construction project invoices in a timely manner. Construction project invoices are first provided to the project architect for approval; then the project manager, and Director of Business Operations for approvals prior to being forwarded to the district accounts payable department for payment. We noted nine such disbursements totaling approximately \$1.3 million were not paid timely, with one invoice being paid 146 days after the due date. We noted numerous late payment notifications sent to the school district from local vendors. Some of these notices indicated the vendor was going to stop delivery of materials until payment was made. Paying invoices late could cause the district to incur additional unnecessary costs and create project delays.

### 10.4 Duplicate vendors

The district vendor list contained 52 duplicate vendor names, each with a separate vendor number. Greater controls should be established to ensure only authentic vendors are entered on the payment system. Deleting duplicate vendor names would give the district better control over vendor information and result in a more efficient operation.

### 10.5 Procurement cards

The district should improve controls over procurement cards. Approximately one-third of full-time and part-time faculty and staff had district-issued procurement cards as of June 2011. The procurement card is an official VISA credit card which is designed to provide a more convenient procurement method than the purchase order system. Most procurement cards have individual transaction limits of \$1,000 and a monthly spending limit of \$5,000. During the 2 years ended June 30, 2011, procurement card purchases totaled approximately \$5.9 million. While the district has policies and procedures to review the assignment and use of procurement cards, these policies and review procedures were not always adequate.

#### Number of cards

The district has not adequately analyzed the need for issuing procurement cards, and at the time of our review 106 of the 1,129 procurement cards issued to full-time and part-time faculty and staff had not been used during the previous year. At least 35 district employees have been issued more than one procurement card.

In addition, declining balance procurement cards were issued to individuals who do not work for the district. These cards are set up with a spending limit and an expiration date which coincides with the event. During the Tournament of Champions and Lady Classic sporting events held in January 2011 and 2010, and December 2010 and 2009, respectively, 13 cards were issued to 9 coaches from outside the district. Amounts paid on these cards totaled \$10,343 and \$9,741 during the years ended June 30, 2011 and 2010, respectively. Supporting documentation was not required to be submitted by the coaches to support charges, and some charges made to local outdoor supply and toy stores appear unnecessary.



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Given the potential liability related to credit cards, the district should review credit card assignments and use to evaluate each employee's continued need for a card and the need for multiple cards issued to users. The district should also reconsider issuing declining balance procurement cards to non district employees.

#### Policy violations

Some procurement card expenses reviewed appear to violate the district procurement card policy. We reviewed detailed billing statements related to eight payments made to the credit card company.

- Procurement cards were used for purchases of items with vendors under existing contracts. For example, during the 2 years ended June 30, 2011, the district paid nearly \$127,000 to a contracted office supply vendor using district issued procurement cards. The procurement card policy states procurement cards cannot be used to purchase items covered under existing district contracts.
- Procurement cards were used at local office supply stores for purchases of numerous items that may have been available at the district supply center. Some of these purchases appear to have been made based upon employee preference of type and quality of supply. The procurement card policy states procurement cards cannot be used to purchase items which are available through the district supply center.
- The procurement card policy requires users to request transaction limit increases from the purchasing department; however, procedures have not been established by the department to retain documentation of these requests or their approval. As a result, the district had no documentation of approvals when limits were exceeded. For example, a single charge totaling \$23,885 for hotel expenses was made on a card with a single transaction limit of \$1,000 and a monthly transaction limit of \$5,000.

Procurement card policies were established to provide adequate controls and monitoring of transactions processed through procurement cards; however, the assigned cardholder is ultimately responsible to ensure all transactions comply with adopted policies.

**Supporting documentation** Adequate supporting documentation was not always submitted to support procurement card purchases. In some instances, only a credit card charge slip was submitted rather than a detailed invoice or receipt slip. The district often uses procurement cards to purchase gift cards and other gifts/awards. Although the district requires gift card forms be completed, indicating who received the gift card and the purpose of the gift card; we noted instances where the form was not completed or was not completed properly (did not indicate the recipient or the purpose) for some procurement card purchases. Other gifts/awards (not gift cards) were purchased using procurement cards



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and documentation of the recipient and purpose of the gift/award was also not maintained. According to the procurement card policy, a receipt or some sort of documentation must support each purchase.

In addition to being required by the district policies and procedural manual, detailed invoices, receipt slips, or other supporting documentation improve the district's ability to review these charges and provide better documentation of the items purchased. Without adequate supporting documentation, the district cannot ensure charges are reasonable and in accordance with established policies.

#### 10.6 Memberships and professional licenses

The district needs to improve controls over tracking and monitoring of institutional and individual memberships and professional licenses. Memberships (professional and civic) and professional licenses are not consistently charged to the same object code/classification, and as a result the district was unable to provide us a report of memberships and professional licenses paid.

To effectively monitor membership and professional license benefits provided to employees, the district should implement an effective and accurate tracking system. The district should be able to easily identify not only the amount that has been paid for membership dues and professional licenses, but also the number of memberships and licenses paid for individual employees and institutional memberships.

#### 10.7 Meals and food purchases

The district does not separately account for the amounts paid for meals and food purchases for employee meetings, training sessions, retirement receptions, employee recognition events, or lunches at local restaurants. In addition, food purchases were often made without documenting the purpose or recipients, and the district does not have comprehensive policies regarding district provided food.

To effectively monitor meals and food purchases, the district should implement an effective and accurate tracking system. Adequate documentation of food purchases including a list of attendees and/or general information stating who was served should be provided to substantiate food costs and these costs should be tracked by the district. In addition, the district should develop comprehensive policies regarding food purchases in an effort to control and reduce these expenditures.

#### 10.8 Travel costs

Improvements are needed to district travel policies. Some district employees rented vehicles for travel while others used their personal vehicle and requested a mileage reimbursement. District policy does not require employees to prepare a comparison of costs to determine the most economical mode of transportation or lodging. The district spent over \$1.4 million in travel costs during the 2 years ended June 30, 2011. Without a





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comparison of the expected costs, the district has no assurance the most economical transportation or lodging is being utilized.

## Recommendations

The School Board:

- 10.1 Establish adequate review and approval procedures for manual checks, and ensure manual checks are issued in accordance with district policy.
- 10.2 Ensure purchase orders are approved in accordance with district policy.
- 10.3 Ensure all invoices are paid in a timely manner.
- 10.4 Ensure duplicate vendors are eliminated.
- 10.5 Evaluate the need for each procurement card issued. The School Board should also ensure all procurement card policies are followed or consider revising policies as needed. Adequate documentation should be required and maintained for all procurement card transactions.
- 10.6 Establish a tracking system that allows the district to adequately monitor institutional and individual membership and professional license costs.
- 10.7 Develop comprehensive policies regarding district-provided food purchases. These policies should establish more specific guidelines regarding proper and allowable disbursements in this area along with documentation requirements for these expenditures.
- 10.8 Establish more comprehensive travel policies.

## Auditee's Response

*The School Board provided the following written responses:*

- 10.1 *We have modified processes to ensure that all manual checks are included in the list of disbursements provided to the school board.*

*We plan to take the following actions:*

- *We will change our procedures for signing manual checks to ensure that all checks are signed by the School Board President and the School Board Treasurer. For practical purposes, the signatures will be stamped and the check approval form will be signed by two of the following positions: Chief Financial Officer, Director of Finance, Budget Manager, Accounting Manager or Investments Manager. These five administrators are authorized to ensure availability of two approvers at all*



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*times. In addition, requiring two approvals is a further control on the propriety of the manual checks.*

- We will review current policy which states "only unusual emergency needs should require a manual check." Currently the policy leaves open for interpretation what constitutes an "emergency."*

*Due to a timing difference related to month-end procedures, the 10 manual checks mentioned were unintentionally omitted from the list of disbursements provided to the Board.*

*10.2 We plan to take the following actions:*

- We will communicate and clarify existing policies and procedures with staff who work with purchase orders.*
- We will monitor compliance with policies and procedures.*
- We will respond to any future infractions through appropriate disciplinary action.*

*10.3 We have made significant changes in how we monitor bond project expenditures, including:*

- Moving the bond accounting functions from the Capital Construction department to the Finance department.*
- Conducting weekly meetings with the bond accountant, project managers, and Director of Business Operations. Open invoices are reviewed during these meetings to ensure that they progress through the system in a timely manner.*

*10.4 We have required that W-9s be submitted before a new vendor can be set up. The W-9s include the vendor's federal identification number which will be entered into the system and thus prevent the entry of a duplicate vendor. We also plan to eliminate existing duplicate vendors.*

*10.5 We plan to take the following actions:*

- We will communicate and clarify existing policies and procedures with staff who use procurement cards.*
- We will monitor compliance with policies and procedures.*
- We will respond to any future infractions through appropriate disciplinary action.*
- We will maintain e-mail documentation of requests to exceed card limits and the approvals.*

*We annually analyze the need for issuing procurement cards. Of the 106 cards identified as unused during the past year, the vast majority were issued to staff for emergency use only. For example, 59 of the unused cards were issued to bus drivers for emergency use only on out of town trips. Some staff make purchases for multiple*



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*programs, resulting in the 35 employees with more than one procurement card. To simplify making travel arrangements and prevent coaches from having to make out-of-pocket expenditures related to their travel to the Tournament of Champions, the district issues declining balance procurement cards to coaches of out-of-town teams. These cards are a contracted cost of putting on the tournament and, as such, the district does not monitor the usage.*

10.6 *We plan to consider setting up a separate account for professional licenses and memberships.*

10.7 *We plan to take the following actions:*

- We will consider setting up a separate account for meals and food purchases.*
- We will monitor compliance with policies and procedures.*
- We will respond to any future infractions through appropriate disciplinary action.*
- We will evaluate existing policies regarding district-provided food purchases and establish more specific guidelines where necessary.*

10.8 *The \$1.4 million referenced by the audit as travel costs includes \$577,000 for grant related travel (which is reimbursed to the district), travel for students to national events, mileage costs for travel within the district as well as out of the district, meal, hotel and airfare costs. All travel reimbursement requests are reviewed and approved by the supervisor for appropriateness. In addition, the accounts payable department ensures that appropriate receipts are submitted to support reimbursement requests. We plan to consider establishing more comprehensive travel policies.*

## **11. Accounting Controls and Procedures**

District accounting controls and procedures need improvement.

### **11.1 Signature stamps**

Controls over signature stamps are not sufficient.

- District policy requires signature stamps be kept in a secure location such as a locked drawer or a safe when not in use; however, we noted the Athletic Director's signature stamp was regularly kept on the top of his secretary's desk (even when she was absent from work).
- Many district documents were signed by various district employees using their department supervisor's or the School Board's signature



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stamps, and the use of the signature stamps on these documents was not subsequently approved by the actual person noted on the signature stamp. For example, signature stamps of the School Board president and secretary were used by various HR department staff on employment contracts and letters of appointment for additional compensation, and there was no evidence these documents were subsequently reviewed by the School Board.

To reduce the risk of misuse, access to signature stamps should be limited and the use of signature stamps on documents should be subsequently approved by the actual person noted on the signature stamp. District policy regarding physical security over signature stamps should be followed.

## 11.2 Facility rental

Facility rental procedures need improvement. The district rents its facilities to various organizations and individuals for events. The district collected rental fees totaling approximately \$128,000 for the 2 years ended June 30, 2011.

- The district has not reviewed the operating costs of renting its facilities to ensure the rental fees charged are covering the costs and does not consistently charge rental fees. For example, the district charged a not-for-profit organization for the use of its facilities; however, it did not always charge other similar not-for-profit organizations. Further, some fees have been waived at the discretion of personnel at the district facilities department who handle these rentals, and the reasons for the waivers are not documented and approved by the department supervisor.
- Although the School Board approved a rental fee schedule in May 2010, the district facilities department used a more detailed fee schedule it had prepared that included charges for sound and lights operators, scoreboard operators, custodial overtime, food service overtime, and security which the approved schedule did not include. Additionally, we noted instances where fees charged did not agree to either fee schedule. The School Board adopted the facilities department schedule after our inquiry in May 2011.
- The district has not established adequate billing and collection procedures and records. For example, the district failed to collect for a political event held in November 2008, for facility rental charges and damages totaling \$5,760, and as of September 29, 2011, the amount due had not been collected. Additionally, some potential renters were sent invoices when they had not used district facilities. Further, four additional invoices totaling \$1,309 dating as far back as June 2006, have not been paid.

The district should periodically review operating costs of renting its facilities to ensure rental fees charged are covering costs. To ensure all



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renters are treated equitably, rental fees should be charged in accordance with established fee schedules and policies and procedures should be established for fee waivers. Good business practices require adequate collection procedures be established to ensure accounts are collected in a timely manner and bad debts are kept to a minimum.

### 11.3 Segregation of inventory duties

Cafeteria food and maintenance supply inventory duties are not segregated.

- Cafeteria managers at each school track the amount of food delivered, complete weekly inventory counts, and generate a report showing the amount of food on hand and amount lost to waste or theft. No independent or supervisory reviews of these processes and records are performed.
- The building services secretary at the district general supply center records inventory distributed to various schools, completes annual physical inventories, and writes off unaccounted for items. No independent or supervisory reviews of these processes and records are performed.

To safeguard against possible loss or misuse of inventory, internal controls should provide reasonable assurances all inventory is accounted for properly and is safeguarded. Internal controls would be improved by segregating duties related to receiving, tracking, and writing off inventory items.

### 11.4 Policies and procedures

Employee handbooks and the administrative practices and procedures manual do not always agree to approved Board policies, and some written policies are not adequate and complete.

- The employee handbook and the administrative practices and procedures manual state all employees who work 20 hours or more per week accrue 1.75 days of sick leave per month. A Board policy which applies to maintenance, custodial, and supply center staff, states those employees accrue at a rate of 1.75 days per month, and another Board policy which applies to teachers and all other full-time employees, states those employees accrue at a rate of 1.67 days per month. Our review indicates all employees accrue leave at a rate of 1.67 days per month regardless of the provided guidance.
- The 2010-2011 administrative practices and procedures manual states purchase orders are required for all purchases totaling \$1,000 or more; however, Board policy states purchase orders are required for all purchases.
- The accounting procedures manual refers to an accounting system and related procedures that have not been used since 2008.



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- District policy does not address how attendance should be recorded when students are disciplined with out-of-school suspension. As a result, attendance records may be inaccurately reported to the DESE, and possibly result in additional federal funding to the district. The applications software manager, who sends information to the DESE and has the ability to make some changes to attendance records, indicated students disciplined with out-of-school suspension can be counted as absent or as a student who has withdrawn and later re-enrolled; however, he did not know the circumstances when each procedure was to be used. According to the DESE, a student who is disciplined with a long-term out-of-school suspension (10 days or greater) can be withdrawn from the attendance records and later re-enrolled; however, any short-term out-of-school suspension (less than 10 days) must be counted as an absence.

To ensure employees are provided with proper guidance and treated equitably, various personnel and procedural guides and Board policies should be reviewed for accuracy and consistency. In addition, to ensure the usefulness of written policies and procedures, the district should periodically review and revise old policies and procedures as necessary. District policies should also be established to ensure attendance is accurately recorded when students are disciplined with out-of school suspension.

Similar conditions  
previously reported

Conditions similar to sections 11.1 and 11.2 were reported in internal audit reports issued in 2007 and 2008 by the former internal auditor (See MAR finding number 14).

## Recommendations

The School Board:

- 11.1 Limit access to signature stamps. The School Board should also ensure district policy is followed regarding use of signature stamps.
- 11.2 Periodically review operating costs of renting school facilities to ensure rental fees charged are adequate, ensure rental fees are charged in accordance with established fee schedules, and establish policies and procedures for fee waivers and collection of unpaid rental fees.
- 11.3 Segregate inventory duties to the extent possible, or ensure proper supervisory or independent reviews are performed.
- 11.4 Review various personnel and procedural guides and Board policies for consistency and accuracy, and establish policies to ensure attendance is accurately reported.



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## Auditee's Response

*The School Board provided the following written responses:*

- 11.1 *We plan to take the following actions:*
- *We will communicate with all signators that their signature stamps must be stored in a secure location when not in use per Board policy.*
  - *We will monitor compliance with policies and procedures.*
  - *We will respond to any future infractions through appropriate disciplinary action.*
  - *We will discontinue use of signature stamps for documents not voted on by the Board.*

- 11.2 *We adopted a more detailed facility usage fee schedule in May 2011 that addresses fees for the various organizations that use school facilities, including not-for-profit organizations.*

*We plan to take the following actions:*

- *We will implement new online facility usage software that will enable organizations to request use of facilities and will subsequently invoice the organizations the appropriate amount based on the new facility usage fee schedule. The software will also enable organizations to cancel facility usage prior to invoicing.*
- *We will track outstanding invoices via new facility usage software.*

- 11.3 *We plan to review the processes involving the cafeteria manager and the general supply center secretary to determine if segregation of duties can be improved with existing personnel.*

*Fully achieving segregation of duties could require hiring additional personnel thus increasing annual operating costs.*

- 11.4 *We have updated the employee handbook and the administrative practices and procedures manual.*

*We plan to take the following actions:*

- *We will update Board policy to reflect district practice.*
- *We will update the accounting procedures manual.*
- *We will review district policy concerning reporting of attendance.*



## 12. Sunshine Law Issues

The district did not always comply with the Sunshine Law.

### 12.1 Closed meetings

Thirty-one closed meetings were held by the School Board during the 2 years ended June 30, 2011, but various requirements in Chapter 610, RSMo (the Sunshine Law), regarding closed meetings were not always followed.

- Notices of the date, time, and agenda of some closed meetings were not published or publicly posted as required by state law, and the district did not always hold open meetings prior to closed meetings. As a result, the specific reasons for closing a meeting were not always documented. These problems were noted for closed meetings held on July 8, November 23, and December 2, 2010.
- There were 13 instances where the School Board approved a list of reasons for closing the meeting in the open meeting, but the School Board only discussed some of these topics in the closed meeting. For example, minutes of the January 12, 2010, open meeting indicated a closed meeting would be held to discuss legal; real estate; hiring, firing, disciplining or promoting of employees; scholastic probation, expulsion or graduation of individuals; and, individually identifiable personnel records. However, the closed meeting minutes did not document any discussion of real estate or personnel related matters. To ensure the public is accurately informed, the School Board should cite in its open meeting only those topics it intends to discuss in the closed meeting.

In addition, meeting minutes were not always sufficient to demonstrate how some issues discussed in closed meetings were allowable under the Sunshine Law. Some of these issues included discussing the signing of an agreement between the district and a local television network to provide coverage of the 2010 Tournament of Champions and relocating the Early Childhood Special Education program.

- The results of roll call votes for decisions made in closed meetings were not always documented in meeting minutes as required by the Sunshine Law. Some decisions made by the School Board in closed meetings were documented in meeting minutes as being approved by a "consensus" of the School Board.

To ensure compliance with state law, the School Board should give advance notice of its closed meetings, ensure an open meeting is held to properly enter into closed meetings, cite specific reasons for going into closed meetings only for those topics it plans to discuss, restrict discussion in closed meetings to the specific topics listed in the Sunshine Law, and ensure roll call votes are taken and documented.





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## 12.2 School Board retreats

District business was sometimes conducted outside of regular open meetings, and minutes for some of these meetings were not prepared. The School Board and district administrators held retreats during July and November 2009, and July 2010. Discussion at these retreats included the district's strategic plan, 5-year budget projections, future bond/levy information, budget approach, and critical need identification. Official meeting minutes were not prepared for these School Board retreats.

The governing bodies of all political subdivisions in Missouri are required by the Sunshine Law, Chapter 610, RSMo, to conduct business in regular open meetings, and the Sunshine Law also requires meeting minutes be taken and retained.

## 12.3 Sunshine law requests and public records policy

The district public records policy and procedures need improvement.

- While the School Board has appointed the School Board Secretary as the custodian of records and has adopted a public records policy which indicates fees shall be charged and a schedule of fees shall be publicly posted, the district does not ensure or document compliance with its policy.

Because the district does not adequately document how it calculates the fees charged for Sunshine Law requests, it cannot show compliance with state law. The district often only documents a total amount of fees charged and does not document the number of hours spent for research/duplication activities or the number of copies provided. In addition, a schedule of fees is not publicly posted. The Sunshine Law provides the hourly fee for time spent completing duplication activities is not to exceed the average hourly rate of pay for clerical staff of the entity. Also, research time needed to fulfill the request may be charged at the actual cost.

Further, the district does not consistently charge fees for Sunshine Law requests. For example, an August 2009 Sunshine Law request resulted in 10 copies provided to a citizen at a charge of \$123 while a November 2009 Sunshine Law request resulted in over 573 copies being provided to a different citizen at no charge. In written correspondence to the citizen who made the August 2009 Sunshine Law request and who also questioned the fairness of fees charged, the district's attorney indicated the instance of not charging for requested information was an oversight and fees should have been charged because it involved substantial research and retrieval time.

To ensure fair and equitable treatment of citizens, the district should ensure its charges for records requests are in compliance with state law and district policy and calculations of charges are properly documented.



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In addition, a schedule of fees should be publicly posted as provided by district policy.

- The district does not maintain a log of public requests to ensure all requests are handled in compliance with the Sunshine Law. To ensure compliance with state law, the district should document adequate information in a log to determine if requests are completed timely and all requests are adequately completed. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs.

## Recommendations

The School Board:

- 12.1 Ensure advance notice of meetings is given and open meetings are held to properly enter into closed meetings. The School Board should also cite specific reasons for going into closed meetings only for topics it plans to discuss, and ensure only allowable topics are discussed in closed meetings and roll call votes are taken and documented.
- 12.2 Ensure district business is conducted in compliance with the Sunshine Law, and meeting minutes are maintained.
- 12.3 Document compliance with the Sunshine Law regarding fees charged, ensure a schedule of fees is publicly posted, consistently charge fees for Sunshine Law requests, and establish a public request log.

## Auditee's Response

*The School Board provided the following written responses:*

- 12.1 *We plan to review current practices and ensure that the district fully complies with these requirements.*
- 12.2 *We plan to maintain minutes for all Board retreats.*
- 12.3 *We have initiated a log of Sunshine Law requests. Additionally, since September 2011, these Sunshine requests and documents provided (when available in electronic format) have been made publicly available on the district's website. We will review our policy on posting of fees and ensure compliance with the policy. Additionally, we will consider the recommendation to document the calculation of fees charged for Sunshine Law requests and will consistently charge fees for Sunshine Law requests.*

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## 13. School Safety

The district should improve its policies and procedures regarding background checks to ensure the safety of its students.



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## Volunteers

Procedures for conducting background checks for volunteers are not sufficient. We noted several instances where background checks were not performed for volunteers. For example, a background check was not performed for a teacher's spouse, who helped chaperone 13 high school students for a multi-day, out-of-state trip in April 2010. The Superintendent issued a memo to district principals in August 2010, requiring a nation-wide background check be performed on all volunteers. The district has also adopted a registration form for volunteers to file with the district office which requires a background check be performed before a volunteer is allowed to tutor students; assist in the classroom, district office, or library; accompany students on a field trip; or assist in other activities. However, our review of various May 2011 Kickapoo High School student trips determined that volunteer registration forms and background checks were not completed/performed for any volunteers involved.

## Vendors and contractors

The district does not have policies and procedures to determine when to require background checks for vendors or contractors whose employees may have contact with students. For example, the district utilizes several local charter bus services for district games, student trips, and other events, but does not require these vendors to obtain background checks for drivers. These charter bus services were used for several extended over-night student trips.

To provide more assurance of student safety, the district should ensure procedures for background checks are followed for all volunteers, and consider establishing policies and procedures requiring background checks be obtained for vendor and contractor employees who have contact with district students.

## Recommendations

The School Board should ensure compliance with policies and procedures regarding volunteer registration and background checks, and also consider requiring vendors and contractors to provide background checks for their employees who have contact with students.

## Auditee's Response

*The School Board provided the following written response:*

*We plan to take the following actions:*

- *We will communicate and clarify existing policies and procedures with staff who coordinate volunteers.*
- *We will monitor compliance with procedures.*
- *We will respond to any lack of compliance through appropriate disciplinary action.*
- *We will review existing policies concerning background checks of vendors and contractors and make changes as necessary to ensure student and staff safety.*



The School District of Springfield, R-XII  
Management Advisory Report - State Auditor's Findings

## 14. Internal Audit Function

The district does not currently have an internal audit function, many recommendations made by the former internal auditor have not been followed up or resolved, and the former internal auditor did not report directly to the School Board.

### Internal audit function

The district has financial activity averaging more than \$250 million annually, and numerous cash collection points, compliance and policy requirements, and control weaknesses; however, the district does not have an internal audit function. The former internal auditor resigned in November 2008, and the district has not filled the position. According to district officials, the position has not been filled due to budget constraints. However, if utilized properly, the internal audit function can assist management in performing its duties more efficiently and effectively, and the savings could potentially exceed the cost. In addition, an internal audit function can enhance the district's annual external audit by providing valuable information to those auditors and ensuring the district has strong internal controls and accounting procedures in place. An effective internal audit function could have helped in discovering and/or resolving many of the accounting and procedural control weaknesses, and policy and compliance issues addressed in this report.

### Implementation and follow-up of recommendations

The former internal auditor issued at least 14 reports during 2007 and 2008 with numerous recommendations; however, many of these recommendations were not implemented or properly followed-up by the district. Unimplemented internal audit recommendations were identified in MAR finding numbers 2 and 11. To properly benefit from the internal audit function, recommendations should be properly followed-up to either ensure implementation or management's reasoning for not implementing are logical and documented.

### Reporting structure

Previously the internal auditor did not report directly to the Board. The Institute of Internal Auditors' standards provide that internal audit activity is to be independent and should "... report to a level within the organization that allows the internal audit activity to fulfill its responsibilities." To ensure complete and objective audit coverage, the internal audit function must be independent of the activities it audits. Direct communication between the Internal Auditor and the School Board would help ensure independence and provide a means whereby the School Board can be kept abreast of current operations and activities. Such a reporting structure would also permit the School Board to request the internal audit section to perform specific audits.

## Recommendation

The School Board consider appointing an internal auditor to conduct audits of district operations and activities. An internal auditor should report directly to the School Board.



The School District of Springfield, R-XII  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The School Board provided the following written response:*

*We plan to consider the cost and need for an internal auditor and to determine the appropriate reporting structure for this position. Creating an internal auditor position would increase annual operating costs.*

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# The School District of Springfield, R-XII

## Organization and Statistical Information

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The School District of Springfield, R-XII is located in Greene County, Missouri.

The school district operates 5 senior high schools (grades 9-12), 6 middle schools (grades 6-8), 1 intermediate school (grades 5-6), 3 combination schools (grades K-8), 33 elementary schools (grades K-5), 2 early childhood centers, 1 alternative school, and 1 gifted school. Enrollment was 24,129 for the 2010-2011 school year. The district employed 2,912 full and 959 part-time employees at June 30, 2011.

The School District of Springfield, R-XII has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

### School Board

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2011, were:

Dr. Tom Prater, President  
Jean Twitty, Vice-President  
Kris Callen, Member  
Dr. Denise Fredrick, Member  
Andy Hosmer, Member  
Bruce Renner, Member  
Gerry Lee, Member

### Superintendent

The district's Superintendent at June 30, 2011, was Dr. Norman Ridder and his annual compensation was \$215,708 which includes a vehicle allowance of \$7,200, supplement insurance of \$3,314, and a tax sheltered annuity of \$49,000. The superintendent's compensation is established by the school board.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

According to district personnel, the district was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended June 30, 2011:

During the 2 years ended June 30, 2011, the district was awarded a State Fiscal Stabilization Fund-Education State Grant totaling \$7,810,464 from the U.S. Department of Education for salaries and program costs. The district received and expended \$1,687,236 during the year ended June 30, 2011, which resulted in the retention of an estimated 36 jobs, and \$6,123,228 during the year ended June 30, 2010, which resulted in the retention of an estimated 130 jobs.

During the 2 years ended June 30, 2011, the district was awarded a Special Education Grants to State totaling \$5,940,052 from the U.S. Department of



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## The School District of Springfield, R-XII Organization and Statistical Information

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Education for salaries and program costs. During the year ended June 30, 2011, \$2,941,058 was received and \$2,863,040 was expended by the district related to this grant which resulted in the retention of an estimated 40 jobs. During the year ended June 30, 2010, \$2,534,546 was received and \$3,073,687 was expended by the district related to this grant which resulted in the retention of an estimated 39 jobs.

During the 2 years ended June 30, 2011, the district was awarded a Title I Grants to Local Educational Agencies totaling \$5,541,038 by the U.S. Department of Education for salaries and program costs. During the year ended June 30, 2011, \$2,941,972 was received and \$3,549,561 was expended by the district related to this grant, which resulted in the retention of an estimated 80 jobs. During the year ended June 30, 2010, \$988,600 was received \$1,730,256 was expended by the district related to this grant which resulted in the retention of an estimated 39 jobs.

A \$2,962,645 Education Jobs Fund Grant was awarded by the U.S. Department of Education for teachers salaries and benefits. The district received and expended this amount during the year ended June 30, 2011, which resulted in the retention of an estimated 63 jobs.

A \$1,049,133 Early Retiree Reinsurance Program was awarded by the U.S. Department of Health and Human Services to help offset rising medical costs and to prevent higher premiums. The district received and expended this amount through the HBT Fund during the year ended June 30, 2011.

A \$1,031,548 State Fiscal Stabilization Fund - Government Services Grant was awarded by the U.S. Department of Education during the year ended June 30, 2011, for salaries and program costs. The district received and expended this amount during the year ended June 30, 2011, which resulted in the retention of an estimated 22 jobs.

A \$236,110 State Fiscal Stabilization Fund - Governmental Services Grant was awarded by the U.S. Department of Education during the year ended June 30, 2010, for transportation department salaries. The district received and expended this amount in the year ended June 30, 2010, which resulted in the retention of an estimated 10 jobs.

During the 2 years ended June 30, 2011, a Special Education-Preschool Grant totaling \$179,207 was awarded by the U.S. Department of Education to provide special education and related services to children with disabilities ages three through five. During the year ended June 30, 2011, \$134,687 was received and \$163,875 was expended by the district related to this grant. During the year ended June 30, 2010, \$5,375 was received and expended by the district related to this grant.



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## The School District of Springfield, R-XII Organization and Statistical Information

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During the 2 years ended June 30, 2011, an Education Technology State Grant totaling \$163,477 was awarded by the U.S. Department of Education for salaries and program costs. During the year ended June 30, 2011, \$15,716 was received and \$56,251 was expended by the district related to this grant. During the year ended June 30, 2010, \$91,478 was received and \$107,194 was expended by the district related to this grant. This grant resulted in the retention of an estimated one job each year.

During the 2 years ended June 30, 2011, a Title I, Part D, Grants to Local Educational Agencies totaling \$101,928 was awarded by the U.S. Department of Education to provide services comparable to those provided to children in participating school attendance areas and schools to serve neglected and delinquent children in community day school programs. During the year ended June 30, 2011, \$31,915 was received and \$27,322 was expended by the district related to this grant. During the year ended June 30, 2010, \$4,580 was received and \$21,130 was expended by the district related to this grant.

A \$11,798 Education for Homeless Children and Youth Grant was awarded by the U.S. Department of Education for salaries and program costs and resulted in the retention of an estimated half-time job. During the year ended June 30, 2011, \$11,798 was received and expended by the district related to this grant.





Thomas A. Schweich  
Missouri State Auditor

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# Thirty-Eighth Judicial Circuit

## City of Forsyth Municipal Division



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February 2012  
Report No. 2012-15

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Thirty-Eighth Judicial Circuit, City of Forsyth Municipal Division

### Municipal Division Procedures

The City Prosecuting Attorney did not sign traffic tickets submitted to the municipal division; instead, the Court Clerk used a stamp of his signature. The Municipal Judge approved a summary report of new cases heard but did not always sign court dockets after case dispositions were recorded, and the Court Clerk was allowed to amend certain speeding violations without the supervision or approval of the Prosecuting Attorney or Municipal Judge, which increases the risk tickets or monies will be mishandled. The Court Clerk was allowed to recall warrants using a facsimile of the Municipal Judge's signature and could contact an arresting law enforcement agency to request the release of a defendant on his/her own recognizance. Receipts were not always deposited on a timely basis, and the accounts receivable list maintained by the Court Clerk was not always accurate.

In the areas audited, the overall performance of this entity was **Good**.\*

### American Recovery and Reinvestment Act (Federal Stimulus)

The Thirty-Eighth Judicial Circuit, City of Forsyth Municipal Division, did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Thirty-Eighth Judicial Circuit

## City of Forsyth Municipal Division

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge  
Thirty-Eighth Judicial Circuit  
and  
Municipal Judge  
City of Forsyth, Missouri

We have audited certain operations of the City of Forsyth Municipal Division of the Thirty-Eighth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended August 31, 2011. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls and (2) no significant noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Forsyth Municipal Division of the Thirty-Eighth Judicial Circuit.

A petition audit of the City of Forsyth, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Natalie B. McNish, CGAP

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# Thirty-Eighth Judicial Circuit

## City of Forsyth Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Municipal Division Procedures**

Municipal division procedures related to case dispositions, warrants, depositing, and accounts receivable need improvement.

##### **1.1 Case and ticket disposition**

The city Prosecuting Attorney does not sign traffic tickets submitted to the municipal division, and allows the Court Clerk to stamp his signature on the traffic tickets.

In addition, the Municipal Judge does not always sign court dockets after case dispositions are recorded. While the Municipal Judge approves a summary report of new cases heard at each court date documenting the name of defendant, traffic ticket number, case number, offense, and disposition, if applicable, this report is not complete. This report does not always document cases heard which have been continued from a previous court date.

The Court Clerk is also allowed to amend speeding violations to non-moving violations for defendants with clean driving records. Neither the city Prosecuting Attorney nor the Municipal Judge provide adequate oversight or document their approval of this process to ensure tickets are handled properly. Without better oversight over the disposition of tickets written, the risk of improper handling of tickets and related monies increases.

Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. To ensure the proper disposition of all cases has been entered in the municipal division records, the Municipal Judge should sign the docket to indicate approval of the recorded disposition, and the Prosecuting Attorney should sign or initial all amended tickets indicating approval.

##### **1.2 Warrants**

The municipal division could not provide documentation showing the Municipal Judge authorized the recall of warrants or the release of defendants from jail, when bonding requirements were not met.

The Court Clerk, who is also responsible for collecting and depositing municipal division receipts, is allowed to recall warrants using a facsimile of the Municipal Judge's signature. The Municipal Judge issues warrants for defendants requiring the payment of a cash bond or a security bond. If the defendant is unable to post bond when the warrant is served, the Court Clerk is allowed to contact the arresting law enforcement agency and request the release of a defendant on their own recognizance.

To ensure warrants are properly recalled and bond requirements met, the Municipal Judge should sign all orders to recall warrants and document his approval of the release of a defendant, when bonding requirements are not met.



Thirty-Eighth Judicial Circuit  
City of Forsyth Municipal Division  
Management Advisory Report - State Auditor's Findings

### 1.3 Depositing

Receipts are not always deposited on a timely basis. During our review of receipts collected from June through August 2011, receipts were typically deposited once a week, and some cash receipts were held as long as 21 days before deposited. The failure to deposit timely increases the risk of theft or misuse of funds.

### 1.4 Accounts receivable

An accounts receivable list is maintained by the Court Clerk; however, it is not accurate. As of January 12, 2012, the accounts receivable list included 53 cases and totaled \$13,737. Our review of the 14 largest cases on the list (totaling \$8,091 or 59 percent) identified incorrect balances recorded for 3 of the cases. The list of balances did not always include board bills due.

An accurate list of accounts receivable would allow the Court Clerk and Municipal Judge to more easily review the amounts owed to the municipal division and take the appropriate steps to ensure all amounts owed are collected on a timely basis.

## Recommendations

The City of Forsyth Municipal Division:

- 1.1 Ensure the city Prosecuting Attorney signs all traffic tickets, the proper disposition of cases is documented on the court dockets, and all court dockets are signed by the Municipal Judge. In addition, the municipal division should require the city Prosecuting Attorney to sign all amended tickets.
- 1.2 Require the Municipal Judge to document his approval of the recall of warrants and the release of defendants on their own recognizance.
- 1.3 Deposit monies in a timely manner.
- 1.4 Ensure the accounts receivable list is accurate.

## Auditee's Response

*The Municipal Judge provided the following written responses:*

- 1.1 *I will ensure the City Prosecuting Attorney signs all tickets from this day forward. I will ensure the City Prosecuting Attorney signs all amended tickets and I will sign all dockets.*
- 1.2 *I will ensure I sign off on all recalled warrants and on defendants released on their own recognizance.*
- 1.3 *The Municipal Court Clerk and I will ensure deposits are made more timely.*



Thirty-Eighth Judicial Circuit  
City of Forsyth Municipal Division  
Management Advisory Report - State Auditor's Findings

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- 1.4 *The Municipal Court Clerk has already updated the accounts receivable list.*



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# Thirty-Eighth Judicial Circuit

## City of Forsyth Municipal Division

### Organization and Statistical Information

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The City of Forsyth Municipal Division is in the Thirty-Eighth Judicial Circuit, which consists of Christian and Taney Counties. The Honorable Mark Orr serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At August 31, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Eric Eighmy
Court Clerk	Glenda Collins

#### Financial and Caseload Information

	Year Ended August 31, 2011
Receipts	\$22,972
Number of cases filed	305

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Forsyth Municipal Division did not receive any federal stimulus monies during the year ended August 31, 2011.



Thomas A. Schweich  
Missouri State Auditor

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division



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February 2012  
Report No. 2012-14

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Seventeenth Judicial Circuit, City of Peculiar Municipal Division

Accounting Controls and Procedures	Significant weaknesses in the municipal division's accounting controls and procedures make it difficult to ensure all monies are accounted for properly. The prior Court Clerk did not deposit receipts timely and intact, and audit staff discovered the amount deposited between October 1, 2009, and June 30, 2010, was \$1,919 less than the amount recorded as received. Accounting duties were not adequately segregated, which allowed discrepancies to go undetected. Prior to August 2010, receipt slips were not always issued, and audit staff were unable to determine whether five cash payments, totaling \$1,302, were deposited. The municipal division lacked procedures to ensure information entered into the system for tickets was approved by the City Prosecutor. The municipal division does not maintain a list of liabilities to reconcile to the book balance, and a \$615 difference could not be identified.
Bond Controls and Procedures	The bond ledger is not reconciled to the bank account. This makes it difficult to ensure errors are detected in a timely manner. Also, the bond ledger is not complete and accurate. At April 20, 2011, the bank balance exceeded the ledger amount for open bonds by \$2,081. Audit staff identified \$427 in errors to the bond ledger, but the remaining \$1,654 could not be reconciled.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Seventeenth Judicial Circuit, City of Peculiar Municipal Division, did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Presiding Judge  
Seventeenth Judicial Circuit  
and  
Municipal Judge  
Peculiar, Missouri

We have audited certain operations of the City of Peculiar Municipal Division of the Seventeenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2010. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) no significant noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Peculiar Municipal Division of the Seventeenth Judicial Circuit.

A petition audit of the City of Peculiar, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Accounting Controls and Procedures**

Significant weaknesses were identified with accounting controls and procedures of the municipal division. As a result, there is no assurance all municipal division receipts are accounted for properly.

Fines and costs are collected, recorded, and deposited into a city controlled bank account by the Court Clerk. Bonds are deposited into a separate city bond account. The municipal division uses a computer accounting system for processing payments. However, manual receipt slips are issued for cash bonds collected by the police department and for some fine and cost receipts. The former Court Clerk was terminated in June 2010, and the City Clerk acted as Court Clerk for approximately 2 months until the current Court Clerk was hired in August 2010.

##### **1.1 Differences between recorded receipts and deposits**

Receipts were not deposited intact on a timely basis by the former Court Clerk, and the composition of receipt slips issued and recorded in the computer accounting system was not compared to the composition of deposits prior to August 2010. Because of this, we were unable to determine which specific receipts were included in the cash amount on deposit slips and could not determine if all cash payments recorded on manual receipt slips, but not on the computer accounting system, were deposited. A comparison of the composition of receipts to deposits for the period October 1, 2009 to June 30, 2010, revealed receipts exceeded deposits in total by \$1,919. During this period, cash deposited was \$4,548 less than recorded on accounting records and checks/money orders deposited exceeded the amount recorded on accounting records by \$2,629. We reviewed the composition of receipts and deposits for May and June 2010 in detail and found differences in cash for 12 of the 24 deposits during those 2 months. We identified one cash payment for \$624 (receipt number 529362) in May 2010, which was receipted manually but was not posted to the computer accounting system and was not deposited. In addition, we identified numerous instances where receipts were not deposited intact on a timely basis.

While the method of payment (cash, check, money order, or credit card) was indicated on receipt slips issued through the computer accounting system, it was not always accurate prior to August 2010. For example, in October 2009, we identified six payments noted as cash on the computer accounting system which were actually checks or money orders. In addition, there were four computer receipt slips issued for different amounts than the checks included in the deposit detail.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis; the method of payment should be indicated accurately on the receipt slip or record; and the composition of monies received, daily computer accounting system reports, manual receipt slips, and deposit slips should be reconciled.



Seventeenth Judicial Circuit  
City of Peculiar Municipal Division  
Management Advisory Report - State Auditor's Findings

Procedures have been changed since August 2010, and we did not identify these issues with the current Court Clerk's accounting records.

## 1.2 Segregation of duties

The former Court Clerk performed all duties related to the collection of fines, costs, and bonds. Neither the Municipal Judge nor other city officials independent of the cash custody and record keeping functions provided adequate supervision or review of the work performed by the former Court Clerk. This lack of oversight allowed the differences between receipts and deposits identified in section 1.1 to go undetected. Soon after the current Court Clerk started in August 2010, she began providing the city with copies of daily computer accounting system reports, along with copies of the related deposit slips, in addition to the end of month report of total net revenue collected. Beginning in March 2011, she is providing the Municipal Judge the daily computer accounting system reports to review. However, the Municipal Judge's review is not documented.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If segregation of duties is not possible, a documented independent review of the work performed by the Court Clerk should be performed.

## 1.3 Receipt controls

Prior to August 2010, receipt slips were not issued for some monies received and procedures were not in place to ensure manual receipt slips issued were recorded in the computer accounting system. A review of the detail for all deposits to the fine and cost account in May and June 2010, revealed a \$120 check and a \$100 money order which were not receipted in either the computer accounting system or the manual receipt records.

In addition, the corresponding computer receipt number is not recorded on the manual receipt slips after the information has been posted to the system. Our review of the 41 manual receipt slips issued to individuals from October 2009 to June 2010, revealed 13 receipts which were either not posted to the computer accounting system or only a portion of the receipt was posted to the computer (see section 1.5). We were able to trace 8 of the 13 receipts to a deposit in the fines and costs account. However, due to the deposit procedures discussed in section 1.1, we were unable to determine if the other five receipts, totaling \$1,302 in cash, were deposited in the fines and costs account.

To ensure all receipts are accounted for properly, receipts slips should be issued for all monies received and if manual receipt slips are needed, a procedure should be established to account for the manual receipt slips and verify receipts are recorded in the computer accounting system.





Seventeenth Judicial Circuit  
City of Peculiar Municipal Division  
Management Advisory Report - State Auditor's Findings

## 1.4 Status of tickets

Procedures were not in place to ensure information entered in the system for tickets was approved by the City Prosecutor, such as amended charges, changes in fines and costs, and dismissals. During our review of the 13 receipts discussed in section 1.3, we identified several instances in which the information in the computer accounting system did not agree with the information in the defendant case file signed by the City Prosecutor.

- A \$250 cash payment was received in October 2009. The records indicated the former Court Clerk changed the status of the ticket to nolle pros (dismissed) in the computer accounting system in August 2009. We found no evidence this was approved by the City Prosecutor, and in fact, we found the ticket was amended by the City Prosecutor to defective equipment in October 2009, and fines and costs were set at \$250.
- We noted a ticket was amended by the City Prosecutor to defective equipment in October 2009 and fines and costs were set at \$200; however, fines and costs per the computer accounting system were \$120.
- We found two instances in which monies were collected on failure to appear charges, one in October 2009 and the other in May 2010; however, no such charges were added to the computer accounting system.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, a procedure should be established to verify changes in ticket status, approved by the City Prosecutor, are properly recorded in the computer accounting system.

## 1.5 Liabilities

While bank reconciliations are performed for the fines and costs account, monthly lists of liabilities are not prepared and reconciled to the book balance. The account had a bank balance of \$28,339 as of April 30, 2011; however, we determined liabilities totaled \$27,724, which consisted mainly of fees owed to the city and state from the previous month. We also identified several errors that had occurred in previous months that had not been corrected. The \$615 difference could not be identified.

Comparisons of the reconciled bank account balance to liabilities are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely. An attempt should be made to identify the excess cash balance which currently exists in the fines and costs account. Any amounts which remain unidentified should be disposed of in accordance with state law.



Seventeenth Judicial Circuit  
City of Peculiar Municipal Division  
Management Advisory Report - State Auditor's Findings

## Recommendations

### The City of Peculiar Municipal Division:

- 1.1 Deposit all receipts intact on a timely basis and reconcile the composition of monies received and posted to the computer accounting system to the composition of deposits. In addition, the municipal division should take necessary action regarding the unaccounted for differences identified and determine the appropriate course of action.
- 1.2 Continue to ensure independent reviews of accounting records are performed and documented.
- 1.3 Issue receipt slips for all monies received and develop procedures to ensure all manual receipt slips are accurately posted to the computer accounting system.
- 1.4 Work with the City Prosecutor to develop procedures to ensure all changes in ticket status are properly posted to the computer accounting system.
- 1.5 Identify month-end liabilities and reconcile liabilities to the balances in the municipal division bank accounts. Any unidentified differences should be investigated and disposed of in accordance with state law.

## Auditee's Response

### *The Municipal Judge provided the following written responses:*

- 1.1 *The Municipal Court acknowledges that the recommendations are in order and has taken steps to implement and improve procedures so that such issues do not arise in the future. Unaccounted for differences are being reviewed and will be appropriately resolved.*
- 1.2 *The recommendation is acknowledged and increased review of accounting records has been implemented.*
- 1.3 *Procedures have been developed and implemented to insure that manual receipts are posted to the computer in a timely and complete manner as recommended.*
- 1.4 *The recommendation has been discussed with the City Prosecutor and to insure compliance therewith, the provision of a disposition report of all tickets being disposed of is now distributed to all necessary and appropriate personnel.*
- 1.5 *The recommendation is acknowledged and reconciliation is now implemented on a month end basis. A significant portion of the balance has been identified and appropriately distributed.*



Seventeenth Judicial Circuit  
City of Peculiar Municipal Division  
Management Advisory Report - State Auditor's Findings

## 2. Bond Controls and Procedures

Although the current Court Clerk has started preparing a bond ledger, it is not reconciled to the bank account. In addition, the bond ledger was not accurate and did not include bonds potentially held from older cases. The current Court Clerk is in the process of reviewing older cases for any bonds on hand. We reviewed activity for February 2011 through April 2011 in detail, to determine if the activity recorded in the bond ledger was accurate. While the reconciled bank balance at April 20, 2011 was \$6,699, open bonds recorded in the ledger were only \$4,618. We identified errors of \$427 on the bond ledger, but \$1,654 in the account could not be identified.

Liabilities should be identified at each month-end and reconciled to the bank account balance to ensure accounting records are in balance and monies held in trust are sufficient to meet the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified differences should be investigated immediately and appropriate action taken. Additionally, to properly monitor liabilities and ensure monies are appropriately disbursed, procedures should be established to routinely investigate bonds and partial payments remaining on the liabilities list over a specified period of time.

## Recommendation

The City of Peculiar Municipal Division reconcile the bond ledger to the bank balance on a monthly basis. The Court Clerk should work with the City Clerk to investigate and resolve the outstanding balance in the bond account. For those bonds for which the owner cannot be located or failed to appear for court, the unclaimed bonds should be disposed of in accordance with state law.

## Auditee's Response

*The Municipal Judge provided the following written response:*

*The Municipal Court acknowledges the recommendations and procedures have been developed and implemented to insure future compliance. The balance identified has been resolved and reconciliations are now made on a month end basis.*

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division

### Organization and Statistical Information

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The City of Peculiar Municipal Division is in the Seventeenth Judicial Circuit, which consists of Cass and Johnson Counties. The Honorable Jacqueline Cook serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At September 30, 2010, the municipal division employees were as follows:

Title	Name
Municipal Judge	Bryan Round
Court Clerk	Laura Campbell

#### Financial and Caseload Information

	Year Ended September 30, 2010
Receipts	\$285,403
Number of cases filed	2,399

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Seventeenth Judicial Circuit, City of Peculiar Municipal Division, did not receive any federal stimulus monies during the year ended September 30, 2010.



**Thomas A. Schweich**  
Missouri State Auditor

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# Transportation Development Districts



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**February 2012**  
**Report No. 2012-13**

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the review of the Transportation Development Districts as of December 31, 2010

Background	As of December 31, 2010, 171 Transportation Development Districts (TDDs) were in existence, with reported total estimated transportation project costs of over \$1.7 billion and reported total anticipated revenues of over \$2 billion. The scope of the review included compliance with sales tax remittance and financial statement reporting requirements and related legislative issues.
Financial Reporting	While a fine for late filing of financial statements is provided, state law does not establish the agency responsible for the assessment and collection authority of the fines. Thirty-five of the 171 districts (20.47 percent) filed financial statement/audit reports with the State Auditor's office late or failed to file them at all. As of November 30, 2011, the potential accumulated fines could be as much \$6,796,500.
Department of Revenue Collections	Although state law requires the Missouri Department of Revenue to collect district sales taxes, the law does not provide penalties for non-compliance. Vendors in two districts, Southtown TDD and North Main/Malone TDD, remitted sales tax collections directly to the districts instead of the Department of Revenue.

Because of the compound nature of this audit report, no overall rating is provided.

American Recovery and Reinvestment Act (Federal Stimulus)	Not applicable.
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# Transportation Development Districts

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly

This report includes selected information on all transportation development districts (TDDs) established in the State of Missouri as of December 31, 2010. We reviewed TDDs for compliance with sales tax remittance and financial statement reporting requirements and reviewed related legislative issues.

Legislative issues were noted regarding the assessment, collection, and disposition of fines for non-compliance with financial statement reporting requirements and regarding non-compliance with sales tax remittance requirements.

Audits of individually selected TDDs per Section 238.272, RSMo, will be reported on separately.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.



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# Transportation Development Districts

## Introduction

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### Background

The Transportation Development Districts Act, Sections 238.200 to 238.280, RSMo, allows for the formation of transportation development districts (TDDs). These entities are separate political subdivisions established and organized for the construction of roads, bridges, interchanges, or other transportation-related projects. The projects are generally financed through the issuance of revenue notes, revenue bonds, or other debt securities for a period not to exceed 40 years. TDDs are governed by a board of directors of not less than 5 nor more than 15 members. The board has the authority (after qualified voter approval<sup>1</sup>) to impose sales taxes or tolls, levy property taxes, and levy special assessments within the boundaries of the TDD to pay the expenditures of the entity, including the liquidation of debt incurred to fund the transportation-related projects. The revenues of a TDD, the majority of which are sales taxes, can only be used for transportation-related projects.

The process of establishing a TDD is initiated by the filing of a petition in the circuit court governing the boundaries of which the proposed district is located. Such a petition can be filed by: (1) not less than 50 registered voters within the proposed TDD; (2) all the owners of real property located within its proposed boundaries, if there are no eligible registered voters residing within the proposed district; (3) a local transportation authority (LTA); or (4) two or more LTAs. A county, city, special road district, or any other local public authority having jurisdiction over transportation projects and services can serve as a LTA.

Missouri state law requires a copy of the petition filed to establish a TDD be provided to the Missouri Highways and Transportation Commission (MoDOT) and each affected LTA. Those entities are then allowed to file an answer stating agreement with or opposition to the creation of the district. In addition, any resident, taxpayer, or any other entity within the proposed district may join in or file a petition supporting or answer opposing the creation of the district. The circuit court subsequently hears the case, if necessary, and makes a decision whether to authorize the establishment of the district.

The Transportation Development District Act was enacted in 1990, and the first TDD was established in 1997. As of December 31, 2010, 171 TDDs were in existence in the state of Missouri (including 8 TDDs which were established in 2010). Almost 71 percent of the districts have been established in the state's two largest metropolitan area (with 83 and 38 of the

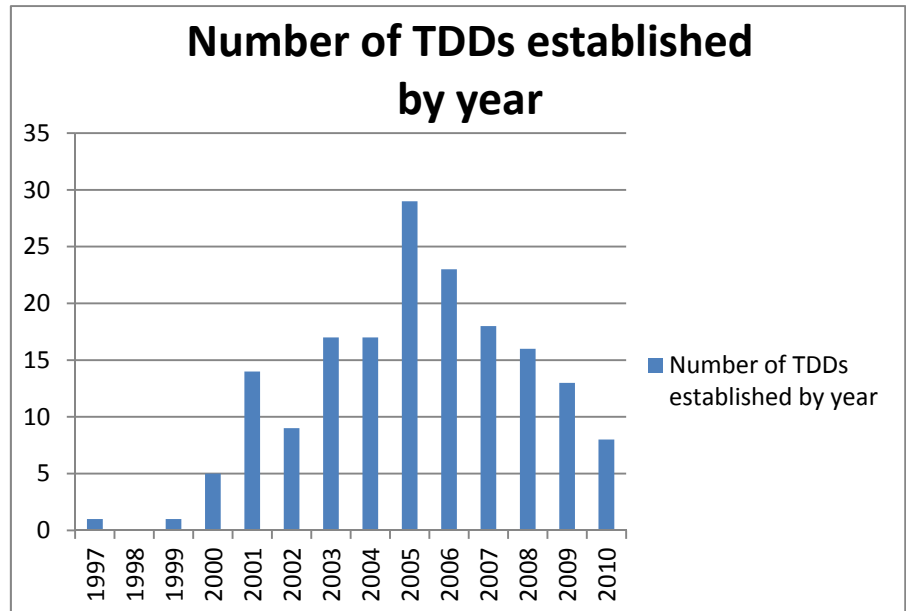
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<sup>1</sup> Section 238.202, RSMo, currently defines qualified voters as any persons residing within the proposed or established district who have registered to vote pursuant to Chapter 115, RSMo, and the owners of real property, who shall receive one vote per acre, provided that any registered voter who also owns property must elect whether to vote as an owner or a registered voter.



## Transportation Development Districts Introduction

TDDs located in St. Louis and Kansas City metropolitan areas<sup>2</sup>, respectively).



Officials/representatives of the TDDs reported total estimated transportation project costs of over \$1.7 billion. In addition, officials/representatives reported total estimated revenues of over \$2 billion would be collected over the lives of the respective TDDs (estimated project costs and anticipated revenue information were not reported for some of the TDDs because information had not been determined or could not be located).

<sup>2</sup> The St. Louis metropolitan area is defined here as the geographic area that includes the city of St. Louis, St. Louis County, St. Charles County, Jefferson County, and Franklin County. The Kansas City metropolitan area is defined here as the geographic area that includes Jackson County, Platte County, Clay County and Cass County.



## Transportation Development Districts Introduction

The table below breaks down the total estimated project costs and anticipated revenues of the 171 TDDs into various dollar ranges.

Dollar Range	Number of TDDs	
	Estimated Transportation Project Costs	Expected Revenue
\$0 to \$1 million	20	13
\$1 million to \$5 million	70	50
\$5 million to \$10 million	24	35
\$10 million to \$15 million	18	13
\$15 million to \$35 million	23	26
More than \$35million	10	13
Not reported	6	21

Although there is no statutory annual audit requirement, as of November 30, 2011, 65 of the 171 active districts obtained an independent audit of their financial statements for their fiscal year ended in 2010. In addition, Section 238.272, RSMo, provides the State Auditor's office (SAO) shall audit each TDD once every 3 years, and may audit more frequently if deemed appropriate.

Section 238.275, RSMo, provides for the abolishment of a TDD once its projects are completed, ownership of the projects has been transferred to the MoDOT or the LTA, and the district has no outstanding liabilities. In addition, a TDD can be abolished if the board of directors determines the projects cannot be completed due to lack of funding or for any other reason. Prior to a TDD submitting the question to abolish the district to the applicable voters, the SAO must audit the TDD to determine its financial status, and whether it can be abolished. See Appendix B for information regarding abolished TDDs.

## Methodology

Our methodology included gathering information regarding the TDDs established in 2010, through discussions with various MoDOT officials and from a TDD database and files maintained by that agency. Information obtained included TDD name, location, applicable county/municipality, date established, identity of the individual(s)/entity who filed the petition, the type of funding (i.e., sales taxes, property taxes, etc), and the funding rate (e.g., 1 percent). Some of this information is presented in Appendix B.

To determine and report estimated project costs and estimated revenues of TDDs newly established in 2010, survey questionnaires were sent requesting information including, but not limited to, the geographic location of the TDD, estimated total project costs, how project costs were financed and the amount of that financing, estimated total revenues to be collected and over what period of time, when the collection of revenue and incurrence



## Transportation Development Districts Introduction

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of expenses started, who was responsible for collection of the revenues and the administering of the funds, whether financial audits have been conducted by an independent auditor, the name of the development and type of businesses in the district, whether or not the TDD is located in a tax increment financing redevelopment area, and other information.

Some data presented in Appendix B was compiled from survey information submitted by officials/representatives of the various TDDs and from information reported by the Missouri Department of Revenue. This information was not verified for accuracy by us. Information in Appendix C was obtained from close out reports issued by the SAO. If any information presented in Appendixes B and C was found to have changed since the previous report, that information was updated on the current appendixes to the extent those changes were noted by us or brought to our attention.

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# Transportation Development Districts Results

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## Legislative Issues

### 1. Financial Reporting

While a fine for late filing of the financial statement/audit report is provided, Section 105.145.8, RSMo, does not establish the agency responsible for assessment and collection authority of the fines. In addition, the law does not specify the disposition of the fine amount.

Of the 171 districts in existence at December 31, 2010, 35 districts (20.47 percent) filed financial statements/audit reports late or did not file financial statements with the State Auditor's office (SAO), as required by state law, resulting in total potential fines of up to \$6,796,500 as of November 30, 2011. A list of TDDs not in compliance is at Appendix A.

Section 105.145, RSMo requires TDDs to file annual financial statements with the SAO. Section 105.145.8, RSMo, states that any district that fails to timely submit a copy of the annual financial statement with the SAO shall be subject to a fine not to exceed \$500 per day. 15 CSR-40.30.030 provides if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year end, while an audit report is to be filed within 6 months of the entity's fiscal year end.

### 2. Department of Revenue Collections

Although Section 238.235, RSMo, requires the Missouri Department of Revenue (DOR) to collect district sales taxes, the law does not provide penalties for non-compliance.

During 2011, vendors in the Southtown TDD and North Main/Malone TDD remitted sales tax collections directly to the districts rather than the DOR.

## Appendix A

### Transportation Development Districts Financial Reporting Noncompliance

TDD Name	Fiscal Year End	Fiscal Year 2010		Fiscal Year 2009		Maximum fine to be assessed as of November 30, 2011
		Financial Statement Filed (1)	Fine	Financial Statement Filed (1)	Fine	
71 Highway & 150 Highway	12/31	No	\$ 107,000	Yes	\$ N/A	\$ 107,000
North Kansas City Missouri Light Rail	9/30	No	152,000	No	334,000	486,000
Hubach Hill Road & North Cass Parkway	10/31	Yes, late	9,500	Yes	N/A	9,500
1717 Market Place	12/31	No	107,000	Yes	N/A	107,000
620 Market	12/31	Yes, late	103,500	Yes, late	65,000	168,500
Adler Lofts	12/31	No	107,000	Yes	N/A	107,000
Blue Ridge Town Centre	12/31	No	107,000	No	259,000	366,000
Bottle District	12/31	No	107,000	Yes	N/A	107,000
Broadway Hotel	12/31	No	107,000	Yes	N/A	107,000
Broadway-Fairview	12/31	Yes, late	66,000	Yes	N/A	66,000
Conley Road	12/31	Yes, late	66,000	Yes	N/A	66,000
Country Club Plaza of Kansas City Missouri	12/31	Yes, late	20,500	Yes, late	203,000	223,500
Cripple Creek	12/31	No	107,000	Yes	N/A	107,000
Farris Family	12/31	No	107,000	No	259,000	366,000
First Capitol Drive	12/31	No	107,000	No	289,500	396,500
Grindstone Plaza	12/31	Yes, late	66,000	Yes	N/A	66,000
Harrisonville Market Place A	12/31	No	107,000	Yes	N/A	107,000
Harrisonville Market Place B	12/31	No	107,000	Yes	N/A	107,000
Highway 71/291 Partners in Progress	12/31	Yes, late	11,500	Yes	N/A	11,500
Hutching Farm Plaza	12/31	No	107,000	Yes	N/A	107,000
I-44 & Highway 47	12/31	Yes	N/A	No	289,500	289,500
Indian Ridge Resort	12/31	No	107,000	No	289,500	396,500
Interstate Plaza/North Town Village	12/31	Yes, late	59,500	Yes, late	67,500	127,000
Lee's Summit Missouri New Longview	12/31	No	107,000	Yes	N/A	107,000
North Main/Malone	12/31	Yes	N/A	Yes, late	19,000	19,000
Northwoods	12/31	No	107,000	No	259,000	366,000
Olive/Graeser	12/31	Yes	N/A	No	289,500	289,500
Poplar Bluff Conference Center	12/31	No	107,000	No	289,500	396,500
Rock Bridge Center	12/31	Yes, late	66,000	Yes	N/A	66,000
Shoppes at Stadium	12/31	Yes, late	66,000	Yes	N/A	66,000
Spindler (2)	Unknown	No	107,000	No	289,500	396,500
The Hospital Interchange	12/31	No	107,000	Yes	N/A	107,000
Toad Cove Complex	12/31	Yes, late	55,000	Yes, late	237,500	292,500
Toad Cove Resort	12/31	Yes, late	55,000	Yes, late	237,500	292,500
Truman Road	12/31	No	107,000	No	289,500	396,500
Total			\$ 2,829,500		\$ 3,967,000	\$ 6,796,500

(1) As of November 30, 2011.

(2) This district has not reported its year end date, therefore, the SAO assumed the year end date of December 31 for fine calculation purposes.

Source: Financial statement filings by TDDs established as of December 31, 2010.

APPENDIX B

Transportation Development Districts  
Information Regarding Establishment, Estimated Project Costs, and Anticipated Revenue

District Name	Date Established	Fiscal Year End	Municipality	Petition To Establish Was Filed By	Number of Property Owners	Estimated Project Costs	TDD Estimated Life	Total Anticipated Revenues	Sales Tax Rate (A)	TDD Within a TIF district?
<b>Benton County</b>										
US Highway 65 and Truman Dam Access	03/12/03	12/31	Warsaw	Property Owners	1	\$ 2,000,000	25 Years	\$ 4,250,000	0.500%	No
<b>Boone County</b>										
CenterState	08/05/02	12/31	Columbia	Property Owners	1	7,542,000	21 Years	8,000,000	0.500%	No
Lake of the Woods	03/24/03	12/31	Columbia	Property Owners	2	2,700,000	30 Years	Unknown	0.500%	No
Shoppes at Stadium	09/27/04	12/31	Columbia	Property Owners	1	2,500,000	15 Years	4,000,000	0.500%	No
Stadium Corridor	10/04/04	12/31	Columbia	Property Owners	4	13,819,603	25 Years	16,120,457	0.500%	No
Grindstone Plaza	01/31/05	12/31	Columbia	Property Owners	3	9,400,000	30 Years	24,000,000	0.500%	No
Broadway-Fairview	05/10/05	12/31	Columbia	Property Owners	1	5,000,000	40 Years	17,000,000	0.500%	No
Northwoods	07/22/05	12/31	Columbia	Property Owners	1	1,120,000	30 Years	6,000,000	0.500%	No
Conley Road	12/09/05	12/31	Columbia	Property Owners	3	20,000,000	35 Years	57,000,000	0.500%	No
Blue Ridge Town Centre	02/04/06	12/31	Columbia	Property Owners	1	Unknown	Unknown	Unknown	1.000%	No
Columbia Mall	08/04/06	12/31	Columbia	Property Owners	4	22,000,000	22 Years	10,500,000	0.500%	No
Gans Road and U.S. 63	12/12/06	12/31	Columbia	Property Owners	2	29,000,000	Unknown	30,000,000	0.500%	No
Cross Creek	02/26/07	12/31	Columbia	Property Owners	1	10,200,000	25 Years	5,084,948	0.500%	No
Rock Bridge Center	04/29/08	12/31	Columbia	Property Owners	1	Unknown	Unknown	Unknown	0.500%	No
<b>Buchanan County</b>										
St. Joseph Gateway	07/20/04	12/31	St. Joseph	Property Owners	1	4,000,000	23 Years	1,821,212	1.000%	Yes
Tuscany Village	12/21/05	12/31	St. Joseph	Property Owners	1	13,000,000	23 Years	7,200,000	0.250%	Yes
<b>Butler County</b>										
Poplar Bluff Conference Center	05/04/04	12/31	Poplar Bluff	Property Owners	1	2,400,000	40 Years	2,000,000	1.000%	No
Cripple Creek	11/28/05	12/31	Poplar Bluff	Property Owners	1	2,087,628	Unknown	Unknown	1.000%	No
<b>Callaway County</b>										
Fulton South Business 54	06/12/06	12/31	Fulton	Property Owners & City of Fulton	4	1,400,000	30 Years	2,700,000	0.500%	Yes
<b>Camden County</b>										
Osage Station	07/19/05	12/31	Osage Beach	Property Owners	1	1,700,000	23 Years	1,700,000	0.750%	No
Toad Cove Complex	05/02/08	12/31	Lake Ozark	Property Owners	2	2,000,000	Unknown	Unknown	1.000%	No
Toad Cove Resort	05/02/08	12/31	Lake Ozark	Property Owners	2	3,000,000	40 Years	Unknown	1.000%	No
Horseshoe Bend Pedestrian Corridor	06/10/08	12/31	N/A	Property Owners	1	3,000,000	35 Years	5,940,146	1.000%	No
Lake of the Ozarks Community Bridge	08/25/10	04/30	Lake Ozark	Property Owners	1	41,800,000	Unknown	Unknown	n/a	No
<b>Cass County</b>										
Belton Town Centre	11/17/03	12/31	Belton	Property Owners	10	19,000,000	23 Years	5,480,360	1.000%	Yes
Harrisonville Towne Center	12/12/05	12/31	Harrisonville	Property Owners	1	1,124,000	23 Years	Unknown	1.000%	Yes
Cornerstone Pointe	10/10/06	12/31	Belton	Property Owners	1	2,000,000	25 Years	5,910,656	1.000%	No
Belton/Raymore Interchange	10/30/06	10/31	Belton/Raymore	Property Owners & City of Belton	3	13,000,000	20 Years	Unknown	0.500%	No
Harrisonville Market Place A	08/27/07	12/31	Harrisonville	Property Owners	(C) 1	Unknown	Unknown	Unknown	Unknown	Unknown
Harrisonville Market Place B	08/27/07	12/31	Harrisonville	Property Owners	(C) 2	Unknown	Unknown	Unknown	Unknown	Unknown
Hubach Hill Road & North Cass Parkway	08/25/08	10/31	Raymore	Property Owners	1	6,831,443	32 Years	6,761,930	0.250%	No
Hwy 71/291 Partners in Progress	01/12/09	12/31	Harrisonville	City of Harrisonville	50	29,500,000	20 years	20,000,000	1.000%	No
Hospital Interchange	12/09/10	12/31	Harrisonville	Cass County, Missouri	57	16,128,506	20 years	5,445,669	1.000%	No
<b>Christian County</b>										
Ozark Centre	04/25/03	12/31	Ozark	Property Owners	1	3,408,293	20 Years	6,000,000	0.375%	No
Town and Country Village	10/02/09	12/31	City of Ozark	Property Owners	1	8,930,000	40 years	11,000,000	1.000%	No
<b>Clay County</b>										
210 Highway	09/23/97	03/31	Kansas City	Property Owners	1	8,587,389	11 Years	5,972,759	1.000%	No
Tower	02/15/06	12/31	Gladstone	Property Owners	2	1,000,000	30 Years	1,700,000	1.000%	No
Briarcliff Parkway and Highway 9	05/17/06	12/31	Kansas City	Property Owners	1	7,036,020	20 Years	3,450,988	0.500%	Yes
North Kansas City, Missouri Light Rail	11/04/08	09/30	North Kansas City	City of North Kansas City & NKC Special Road Dist	(B)	56,000,000	25 Years	56,000,000	0.500%	No
<b>Cole County</b>										
Commons of Hazel Hills	08/11/05	12/31	Jefferson City	Property Owners	1	12,000,000	15 Years	23,000,000	1.000%	No
U.S. Highway 50/63 and City View	09/25/06	12/31	Jefferson City	Property Owners	2	14,700,000	20 Years	8,000,000	1.000%	No
Stone Ridge	01/24/07	12/31	Jefferson City	Property Owners	1	3,106,782	20 Years	2,350,000	1.000%	No
<b>Cooper County</b>										
Boonville Riverfront	02/09/01	12/31	Boonville	Property Owners & City of Boonville	1	3,908,420	40 Years	4,000,000	1.000%	No
<b>Franklin County</b>										
I-44 & HWY 47	04/21/09	12/31	St. Clair	City of St. Clair	20	2,688,640	30 years	2,520,000	1.000%	Yes

APPENDIX B

Transportation Development Districts  
Information Regarding Establishment, Estimated Project Costs, and Anticipated Revenue

District Name	Date Established	Fiscal Year End	Municipality	Petition To Establish Was Filed By	Number of Property Owners	Estimated Project Costs	TDD Estimated Life	Total Anticipated Revenues	Sales Tax Rate (A)	TDD Within a TIF district?
<b>Greene County</b>										
Heer's Tower	03/16/06	06/30	Springfield	Property Owners & City of Springfield	3	8,826,627	25 Years	187,500	1.000%	No
College Station	03/16/06	06/30	Springfield	Property Owners & City of Springfield	2	8,600,000	25 Years	4,400,000	1.000%	No
<b>Jackson County</b>										
Strother Interchange	01/21/00	12/31	Lee's Summit	Property Owners	1	25,846,800	35 Years	4,231,781	0.500%	Yes
Douglas Square	09/21/00	12/31	Lee's Summit	Property Owners	4	450,000	20 Years	4,320,746	1.000%	No
I-470 and I-350	03/17/01	12/31	Lee's Summit	Property Owners	1	17,080,627	40 Years	134,326,373	1.000%	Yes
Truman Road	06/25/01	12/31	Independence	Property Owners	1	232,700	21 Years	483,363	1.000%	Yes
Country Club Plaza of Kansas City, Missouri	07/12/01	12/31	Kansas City	Property Owners & TIF Commission of KC	3	11,149,363	20 Years	30,163,825	0.500%	Yes
Thirty-Ninth Street	04/25/02	06/30	Independence	City of Independence	(B)	15,075,640	23 Years	23,614,406	0.125%	Yes
Douglas Station	06/27/02	12/31	Lee's Summit	Property Owners	1	1,742,852	20 Years	3,461,671	1.000%	No
Raintree North	08/19/02	12/31	Lee's Summit	Property Owners	1	1,700,000	14 Years	1,700,000	0.500%	No
I-70 and Adams Dairy Parkway	03/25/03	12/31	Blue Springs	Property Owners	1	1,950,000	10 Years	1,883,723	1.000%	No
M 150 and 135th Street	05/15/03	12/31	Kansas City	Property Owners	1	12,000,000	20 Years	18,817,000	1.000%	No
Lee's Summit Missouri New Longview	07/31/03	12/31	Lee's Summit	Property Owners	1	5,900,000	20 Years	10,500,000	1.000%	Yes
71 Highway & 150 Highway	11/20/03	12/31	Grandview	Property Owners	2	450,000	23 Years	763,850	1.000%	Yes
Raintree Lake Village	10/19/05	12/31	Lee's Summit	Property Owners	1	1,530,000	24 Years	4,767,995	1.000%	No
Crackeneck Creek	07/26/06	06/30	Independence	Property Owners & City of Independence	3	15,231,975	24 Years	21,980,746	1.000%	Yes
1200 Main/South Loop	12/11/06	12/31	Kansas City	Property Owners & City of Kansas City	10	40,583,010	25 Years	64,637,467	1.000%	Yes
Independence Avenue & Colbern Road	05/02/07	12/31	Lee's Summit	Property Owners	4	900,000	30 Years	3,042,600	1.000%	No
Raytown Highway 350	05/07/07	10/31	Raytown	Property Owners & Raytown Consolidated School District #2	2	6,141,276	30 Years	3,871,350	0.125%	Yes
Adams Farm	08/25/08	09/30	Blue Springs	Property Owners	10	36,713,147	30 Years	65,548,559	1.000%	Yes
Coronado Drive	07/23/09	09/30	Blue Springs	Property Owners	1	9,924,000	10 years	6,086,950	0.500%	No
<b>Jasper County</b>										
1717 Market Place	11/25/05	12/31	Joplin	Property Owners	2	1,428,680	23 Years	2,070,000	0.125%	Yes
<b>Jefferson County</b>										
Arnold Triangle	08/13/06	08/31	Arnold	Property Owners & City of Arnold	5	9,000,000	29 Years	14,000,000	1.000%	Yes
Arnold Retail Corridor	03/11/08	08/31	Arnold	City of Arnold & Arnold Triangle TDE	(B)	26,950,000	Unknown	56,000,000	1.000%	Yes
Hillsboro Lake Terrace	09/22/10	12/31	Hillsboro	Property Owners	1	5,800,000	40 Years	5,800,000	1.000%	No
<b>Johnson County</b>										
Hawthorne Developmen	11/30/05	12/31	Warrensburg	Property Owners	7	17,524,000	20 Years	8,807,602	0.500%	No
<b>Lincoln County</b>										
Highway 61, Route U	02/04/08	12/31	Moscow Mills	Property Owners	1	14,100,000	Unknown	9,700,000	0.375%	Yes
<b>Marion County</b>										
Stardust-Munger-Diamond	10/16/01	12/31	Hannibal	Property Owners & City of Hannibal	1	4,704,000	19 Years	11,678,000	0.625%	Yes
US 36/I-72	06/03/05	06/30	Various	(D) Transportation Corporation, 5 Counties & 6 Cities	(B)	136,000,000	15 Years	43,000,000	0.500%	Yes
<b>Miller County</b>										
Prewitt Point	08/22/03	12/31	Osage Beach	Property Owners	2	4,750,000	25 Years	16,152,000	1.000%	Yes
Horseshoe Bend	04/13/06	12/31	Lake Ozark	Property Owners	1	23,500,000	25 Years	113,079,775	1.000%	Yes
Osage National	06/12/08	06/30	Lake Ozark	Property Owners	1	15,000,000	20 Years	7,341,000	1.000%	Yes
<b>Platte County</b>										
Platte County Missouri South I	06/19/01	12/31	Kansas City	Property Owners	3	24,000,000	30 Years	52,000,000	1.000%	No
Platte County Missouri South II	04/12/02	12/31	Kansas City	Property Owners	(E) 1	-	-	-	1.000%	No
Parkville Commons	06/09/03	12/31	Parkville	Property Owners	1	8,000,000	22 Years	12,000,000	1.000%	Yes
Tuileries Plaza	12/09/05	12/31	Kansas City	Property Owners	1	3,600,000	35 Years	8,700,000	1.000%	No
Platte Valley Plaza	03/09/07	12/31	Platte City	Property Owners	1	1,400,000	40 Years	1,400,000	0.875%	No
Park Plaza	07/17/09	12/31	Kansas City	Property Owners	1	2,041,738	26 years	5,376,233	0.500%	No
<b>Pulaski County</b>										
Interstate Plaza/North Town Village	11/06/01	12/31	St. Robert	Property Owners & City of St. Robert	27	3,980,000	20 Years	6,500,000	0.500%	Yes
Bowman	02/17/05	12/31	Waynesville	Property Owners	1	125,000	20 Years	500,000	0.500%	No
Farris Family	02/17/05	12/31	St. Robert	Property Owners	4	250,000	10 Years	250,000	0.500%	No
<b>Scott County</b>										
North Main/Malone	11/19/04	12/31	Sikeston	Property Owners	1	8,600,000	23 Years	1,398,084	1.000%	Yes
<b>St. Charles County</b>										



APPENDIX B

Transportation Development Districts  
Information Regarding Establishment, Estimated Project Costs, and Anticipated Revenue

District Name	Date Established	Fiscal Year End	Municipality	Petition To Establish Was Filed By	Number of Property Owners	Estimated Project Costs	TDD Estimated Life	Total Anticipated Revenues	Sales Tax Rate (A)	TDD Within a TIF district?
Mark Twain Mall	02/20/01	12/31	St. Charles	Property Owners	1	1,500,000	30 Years	5,000,000	1.000%	Yes
Wentzville	11/16/01	12/31	Wentzville	Property Owners	5	3,150,000	15 Years	5,921,700	0.250%	No
Boscherts Landing	05/16/03	12/31	St. Peters	Property Owners	2	553,342	40 Years	Unknown	1.000%	No
Salt Lick Road	05/16/03	12/31	St. Peters	Property Owners	1	1,406,281	30 Years	Unknown	1.000%	No
WingHaven	09/11/03	12/31	O'Fallon	Property Owners	12	3,048,098	20 Years	8,178,263	0.625%	No
Hutchings Farm Plaza	03/04/04	12/31	O'Fallon	Property Owners	1	600,000	8 Years	816,000	1.000%	No
Mexico Road	04/08/04	12/31	O'Fallon	Property Owners	1	2,600,000	40 Years	3,000,000	1.000%	No
Megan Shoppes	06/07/04	12/31	O'Fallon	Property Owners	2	1,145,834	40 Years	5,520,000	1.000%	No
Hawk Ridge	09/02/04	06/30	Lake St. Louis	Property Owners & City of Lake St. Louis	3	19,400,000	25 Years	38,700,000	0.750%	No
Mid Rivers/N	02/17/05	12/31	St. Peters	Property Owners	1	2,206,225	20 Years	8,400,000	0.500%	No
Wentzville Parkway I	03/03/05	12/31	Wentzville	Property Owners	1	3,830,625	30 Years	Unknown	0.500%	No
St. Charles Riverfront	03/04/05	12/31	St. Charles	Property Owners	1	10,000,000	20 Years	8,500,000	1.000%	No
Wentzville II	03/07/05	12/31	Wentzville	Property Owners	1	2,800,000	25 Years	7,500,000	0.500%	No
Kingsmill	05/05/05	12/31	O'Fallon	Property Owners	2	1,525,000	40 Years	1,525,000	1.000%	No
Dardenne Town Square	08/18/05	12/31	Dardenne Prairie/Lake Saint Louis	Property Owners	10	15,000,000	40 Years	10,750,000	0.500%	No
Barathaven	01/26/06	12/31	Dardenne Prairie	Property Owners	3	4,215,000	20 Years	9,493,639	1.000%	No
Wentzville Three	12/04/06	12/31	Wentzville	Property Owners	1	2,750,000	40 Years	Unknown	0.250%	No
Meadows	01/04/07	12/31	Lake Saint Louis	Property Owners & City of Lake St. Louis	1	10,900,000	25 Years	27,883,277	0.750%	No
First Capitol Drive	07/22/09	12/31	St. Charles	Property Owners	1	45,000	Unknown	-	n/a	No
<b>St. Francois County</b>										
Park Hills	07/28/04	12/31	Park Hills	Property Owners	2	750,000	20 years	200,000	0.500%	Yes
<b>St. Louis County</b>										
Gravois Bluffs	12/07/99	12/31	Fenton	Property Owners & City of Fenton	2	25,300,000	24 Years	30,211,614	1.000%	Yes
Fenton Crossing	02/08/00	12/31	Fenton	Property Owners	1	4,574,762	20 Years	8,000,000	1.000%	Yes
Meramec Station Road and Highway 141	09/07/00	12/31	N/A	Property Owners	2	6,720,000	40 Years	15,700,000	1.000%	Yes
370/Missouri Bottom Road/Taussig Road	11/01/00	12/31	Bridgeton/Hazelwood	Property Owners	2	34,010,000	17 Years	54,596,724	1.000%	Yes
St. John's Church Road	04/17/01	12/31	N/A	Property Owners	9	12,000,000	40 Years	27,000,000	0.500%	No
Ballwin Town Center	04/26/01	12/31	Ballwin	Property Owners	1	1,300,000	21 Years	5,751,400	0.250%	Yes
Brentwood Pointe	05/16/01	12/31	Brentwood	Property Owners	(G) 2	5,101,697	20 Years	13,503,100	1.000%	Yes
Big Bend Crossing	06/25/01	12/31	Crestwood	Property Owners & City of Crestwood	1	1,487,415	20 Years	2,500,000	0.250%	No
Shoppes at Old Webster	11/29/01	12/31	Webster Groves	Property Owners	3	520,000	20 Years	865,000	0.625%	No
St. John Crossings	06/25/02	12/31	St. John	Property Owners & City of St. John	1	901,630	22 Years	2,354,600	0.250%	Yes
Shoppes at Cross Keys	09/18/02	12/31	Florissant	Property Owners	1	4,900,000	23 Years	12,000,000	1.000%	Yes
Station Plaza	12/04/02	12/31	Kirkwood	Property Owners & City of Kirkwood	1	1,550,000	25 Years	3,461,395	1.000%	No
Hanley/Eager Road	12/16/02	12/31	Brentwood	Property Owners	6	12,000,000	30 Years	22,924,051	1.000%	Yes
Crestwood Point	05/15/03	12/31	Crestwood	Property Owners & City of Crestwood	2	2,986,000	40 Years	4,827,000	1.000%	Yes
Pershall Road	07/30/03	12/31	Ferguson	Property Owners & City of Ferguson	1	620,000	25 Years	993,000	1.000%	No
Francis Place	04/13/04	12/31	Richmond Heights	Property Owners	1	4,400,000	23 Years	10,000,000	1.000%	Yes
Eureka Commercial Park	05/10/04	12/31	Eureka	Property Owners	4	1,430,000	40 Years	Unknown	0.875%	No
Hanley Road and North of Folk Avenue	05/19/04	12/31	Maplewood	Property Owners	(G) 1	16,300,000	25 Years	30,900,000	1.000%	No
Olive Boulevard	09/09/04	06/30	Creve Coeur	Property Owners & City of Creve Coeur	2	6,590,000	20 Years	8,811,735	0.500%	Yes
Chesterfield Commons	10/12/04	12/31	Chesterfield	Property Owners	1	12,000,000	30 Years	Unknown	1.000%	Yes
Eureka Old Town	10/12/04	06/30	Eureka	Property Owners & City of Eureka	4	1,367,500	30 Years	1,260,000	0.750%	No
Glenwood-Watson	07/26/05	12/31	Crestwood	Property Owners	2	2,350,000	23 Years	1,952,005	1.000%	Yes
Hanley Station	09/29/05	12/31	Brentwood	Property Owners	1	2,000,000	19 Years	6,670,000	1.000%	Yes
Chesterfield Valley	11/28/05	12/31	Chesterfield	City of Chesterfield	(B) 2	37,300,000	25 Years	25,175,000	0.375%	Yes
Elm Grove	12/20/05	12/31	Hazelwood	Property Owners	2	750,000	40 Years	2,000,000	1.000%	No
Koch Plaza	01/19/06	12/31	Florissant	Property Owners	1	650,000	Unknown	Unknown	0.500%	No
University Place	09/06/06	12/31	N/A	The Curators of the University of Missouri	1	15,415,000	25 Years	26,300,000	1.000%	No
Town and Country Crossing	10/20/06	12/31	Town and Country/Ballwin	Property Owners	1	10,500,000	17 Years	13,000,000	0.500%	No
Shoppes at Hilltop	02/06/07	12/31	Eureka	Property Owners	1	2,500,000	20 Years	4,900,000	1.000%	No
St. Cyr Road	02/20/07	12/31	Moline Acres	Property Owners & City of Moline Acres	1	1,250,000	22 Years	1,452,155	0.625%	Yes
Highway 367 & Parker Road	03/02/07	12/31	N/A	Property Owners	1	1,000,000	21 Years	3,800,000	0.500%	Yes
South Manchester	03/30/07	12/31	Manchester	Property Owners	5	2,500,000	25 Years	4,902,571	0.750%	No
The Market at McKnight I	05/11/07	12/31	Rock Hill	Property Owners	4	2,200,000	20 Years	3,305,933	1.000%	Yes
Manchester Highlands	01/22/08	12/31	Manchester	Property Owners	1	12,800,000	40 Years	18,750,000	1.000%	Yes
Lucas & Hunt/Chandler	06/25/08	12/31	Country Club Hills	Property Owners	1	500,000	Unknown	800,000	1.000%	Yes
Loop Trolley	07/16/08	12/31	University City	Property Owners	93	32,000,000	40 Years	16,000,000	1.000%	Yes
Des Peres Corners	07/21/08	12/31	Des Peres	Property Owners	1	7,600,000	25 Years	22,029,257	1.000%	No
Centene Plaza	12/17/08	12/31	Clayton	Property Owners	2	22,000,000	40 Years	49,000,000	1.000%	No
Ballpark Village	02/19/09	06/30	St. Louis	Property Owners	1	40,000,000	40 years	19,950,000	1.000%	No
Hanley Road Corridor	03/24/09	12/31	Maplewood, Brentwood	Brentwood Pointe TDD, and Folk Avenue South TDI	69	54,299,574	31 years	150,629,569	1.000%	Yes
Laurel	07/27/09	12/31	St. Louis	Property Owners	2	1,400,000	40 years	2,300,000	1.000%	Yes
Clarkson Kehrs Mill	08/11/09	12/31	Ballwin	Property Owners	2	2,000,000	40 years	6,534,460	1.000%	No

APPENDIX B

Transportation Development Districts  
Information Regarding Establishment, Estimated Project Costs, and Anticipated Revenue

District Name	Date Established	Fiscal Year End	Municipality	Petition To Establish Was Filed By	Number of Property Owners	Estimated Project Costs	TDD Estimated Life	Total Anticipated Revenues	Sales Tax Rate (A)	TDD Within a TIF district?
Washington Ave	08/31/09	12/31	St. Louis	Property Owners	3	1,640,973	20 years	2,084,955	1.000%	Yes
1225 Washington	10/27/09	12/31	St. Louis	Property Owners	5	1,900,000	40 years	3,460,000	1.000%	Yes
Olive/Graeser	12/08/09	12/31	Creve Coeur	Property Owners	10	1,300,126	40 years	3,400,000	1.000%	No
Lindbergh East Concord	02/09/10	12/31	Green Park	Property Owners	1	495,200	25 Years	750,000	1.000%	No
<b>Stone County</b>										
Indian Ridge Resort	12/07/06	12/31	Branson West/Village of Indian Poin	Property Owners	4	28,152,034	30 Years	34,797,760	1.000%	No
<b>Taney County</b>										
Branson Regional Airport	12/17/03	12/31	Branson	Property Owners	1	150,000,000	30 Years	Unknown	N/A	No
Branson Landing	03/17/05	12/31	Branson	City of Branson	1	53,759,228	23 Years	47,106,055	1.000%	Yes
Forsythe Road	06/05/08	12/31	Branson	Property Owners	1	5,250,000	25 Years	7,000,000	1.000%	No
<b>Webster County</b>										
Spindler	02/07/07	unknown	Seymour	Property Owners	(F) 1	Unknown	Unknown	Unknown	Unknown	Unknown
<b>St. Louis City</b>										
Merchant's Laclede	10/08/03	12/31	St. Louis	Property Owners	2	6,510,000	30 Years	10,080,000	1.000%	No
Southtown	04/12/04	12/31	St. Louis	Property Owners	1	1,231,292	23 Years	4,204,762	1.000%	Yes
Residence Inn Downtown St. Loui:	02/14/05	06/30	St. Louis	Property Owners	1	500,000	20 Years	1,500,000	1.000%	No
Highlands	04/20/05	12/31	St. Louis	Property Owners	2	700,000	23 Years	733,119	1.000%	Yes
Broadway Hotel	09/06/06	12/31	St. Louis	Property Owners	1	6,500,000	25 Years	11,500,000	1.000%	No
620 Market	09/06/06	12/31	St. Louis	Property Owners	1	991,600	30 Years	2,670,000	1.000%	No
CB 5421/5975	03/05/07	12/31	St. Louis	Property Owners	6	2,900,000	40 Years	4,000,000	1.000%	Yes
Adler Lofts	03/12/07	12/31	St. Louis	Property Owners	1	1,000,000	19 Years	1,448,400	1.000%	Yes
Bottle District	05/17/07	12/31	St. Louis	Property Owners	1	6,000,000	40 Years	6,000,000	1.000%	Yes
Euclid Buckingham	06/14/07	12/31	St. Louis	City of St. Louis	1	4,500,000	Unknown	1,200,000	1.000%	Yes
St. Louis Convention Centes	03/15/10	06/30	St. Louis	Property Owners	2	Unknown	Unknown	Unknown	1.000%	Yes
City Hospital Laundry	03/25/10	06/30	St. Louis	Property Owners	2	1,107,630	21 Years	1,107,630	1.000%	Yes
Crown Plaza	09/03/10	12/31	St. Louis	Property Owners	1	2,500,000	30 Years	3,716,329	1.000%	No
Railway Exchange Building	11/01/10	06/30	St. Louis	Property Owners	4	4,460,000	40 Years	4,460,000	1.000%	Yes
						\$ 1,717,297,225		\$ 2,083,169,182		

Legend of Tickmarks

- (A) In addition to sales tax, several districts authorized the following additional revenue sources: property taxes; special assessments; private hanger rental, fueling, airline agreement, and rental car agreement; other collateral service fees; and parking fees
- (B) The district has registered voters who approved establishment of the district.
- (C) The TDD did not respond to our questionnaire soliciting applicable informatior
- (D) Counties are Macon, Marion, Monroe, Ralls, and Shelby. Cities are the City of Clarence, City of Hannibal, City of Hunnewell, City of Macon, City of Monroe City, and City of Shelby
- (E) Project costs/life of district/anticipated revenues included in information presented for Platte County Missouri South
- (F) After this TDD was created, the developer found the proposed projects not to be feasibl
- (G) These districts, among others were consolidated with the Hanley Road Corrido

TIF - Tax Increment Financing - 50 percent of the sales tax collected is used for TIF projects unless an agreement specifies otherwis

Source: Judgment and Order issued by the Circuit Courts, TDD survey questionnaires, and communication with district officials/representatives. This table has been updated from information received subsequent to the survey questionai

## Appendix C

### Transportation Development Districts Abolished Districts

<u>District name</u>	<u>Municipality</u>	<u>Date Formed</u>	<u>Date Abolished</u>
<b>Jefferson County</b>			
Hyannis Port Road	n/a	July 2004	December 2006
<b>Lincoln County</b>			
Troy/Lincoln County	Troy	October 2004	October 2008
<b>St. Louis County</b>			
Kenilworth	Brentwood	August 2000	January 2010
Brentwood Strassner/Road	Brentwood	May 2004	August 2010
Folk Avenue South	Maplewood	July 2004	February 2010
Eureka South I-44	Eureka	October 2006	June 2008

Source: TDD survey questionnaires and close out audit reports performed by the SAO.



Thomas A. Schweich  
Missouri State Auditor

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# Compilation of 2011 Criminal Activity Forfeiture Act Seizures



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February 2012  
Report No. 2012-12

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[auditor.mo.gov](http://auditor.mo.gov)



# CITIZENS SUMMARY

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## Compilation of 2011 Criminal Activity Forfeiture Act Seizures

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### Compliance with Submitting Required Reports

Missouri's Criminal Activity Forfeiture Act (CAFA) requires prosecuting attorneys and the Attorney General to submit an annual report to the State Auditor's office summarizing the disposition of all property, including cash, seized pursuant to state law.

The State Auditor did not receive six of the 116 required CAFA reports. Fifteen of the 110 reports received were submitted late. Prosecuting attorneys from the following counties failed to submit required reports: Barton, Daviess, Gentry, Ray, St. Clair and Sullivan. As noted in last year's report (2011-008), the Gentry County Prosecuting Attorney also failed to file a 2010 CAFA report. Section 513.607.10, RSMo, states intentional or knowing failure to comply with any reporting requirement shall be a class A misdemeanor punishable by a fine of up to \$1,000.

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### Disposition of Seizures Reported

Of the \$6,683,059 reported seized in 2011, the disposition was reported as follows: \$4,707,994 transferred to a federal agency, \$1,410,410 pending, \$391,258 returned, \$158,589 transferred to the state, and \$14,808 "other."

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### Compliance with Reporting Required Information

Section 513.607.8, RSMo, requires prosecuting attorneys and the Attorney General to report specific seizure information. Some reports lacked required information such as: the time of the seizure, the estimated value of the property seized, any criminal charges filed, and the disposition of any criminal actions.

Because of the nature of this compilation, no overall rating is provided.

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### American Recovery and Reinvestment Act (Federal Stimulus)

Not applicable.

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# Compilation of 2011 Criminal Activity Forfeiture Act Seizures

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly  
Jefferson City, Missouri

As required by Section 513.607, RSMo, we have compiled the 2011 Criminal Activity Forfeiture Act (CAFA) seizure reports submitted to the State Auditor by prosecuting attorneys and the Attorney General. A compilation is limited to presenting information that is submitted. We have not audited the reports submitted and, accordingly, do not express an opinion or any other form of assurance on them. The primary objectives of this compilation were to:

1. Identify those officials who submitted 2011 CAFA seizure reports to the State Auditor.
2. Summarize the 2011 CAFA seizure information reported.

Section 513.607, RSMo, requires prosecuting attorneys and the Attorney General to report CAFA seizures for the previous calendar year by January 31, to both the Director of the Department of Public Safety and the State Auditor. We received 81.9 percent of the CAFA seizure reports by the required due date of January 31, 2012.

Compliance with Section 513.653, RSMo, which requires law enforcement agencies involved in using the federal forfeiture system to submit copies of audit reports to the State Auditor's office, will be separately reported.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
In-Charge Auditor:	Becky Webb, CPA
Audit Staff:	Dana Wansing, MPA

# Compilation of 2011 Criminal Activity Forfeiture Act Seizures

## Executive Summary

### Compliance with Submitting CAFA Seizure Reports

The State Auditor received a total of 110 (94.8 percent) of the 116 Criminal Activity Forfeiture Act (CAFA) seizure reports required by Section 513.607, RSMo, from prosecuting attorneys and the Attorney General for property seized in calendar year 2011. Of the 110 reports received, 95 of the reports were received by the January 31, 2012, deadline. The following table lists the total number of CAFA seizure reports submitted to the State Auditor for 2011, 2010, and 2009.

Reporting Status	2011		2010 <sup>1</sup>		2009 <sup>1</sup>	
By January 31	95	81.9 %	104	89.6 %	100	86.2 %
After January 31	15	12.9	9	7.8	6	5.2
Total Reported	110	94.8	113	97.4	106	91.4
Failed to Report	6	5.2	3	2.6	10	8.6
Total Reports Required	116	100.0 %	116	100.0 %	116	100.0 %

<sup>1</sup> Includes CAFA seizure reports submitted by prosecuting attorneys to the State Auditor after the annual reports were issued.

### Prosecutors that Failed to Report 2011 CAFA Seizures or Submitted Report Late

The following table lists the prosecuting attorneys that either submitted the 2011 CAFA seizure report after January 31, 2012, or failed to submit a 2011 CAFA seizure report. Section 513.607.10, RSMo, states intentional or knowing failure to comply with any reporting requirement shall be a class A misdemeanor punishable by a fine of up to \$1,000.





Compilation of 2011 Criminal Activity Forfeiture Act Seizures  
Executive Summary

Prosecuting Attorney	Failed to Report	Submitted Late
Adair		X
Barton	X	
Bollinger		X
Daviess	X	
Dunklin		X
Gentry	X	
Henry		X
Lawrence		X
Madison		X
McDonald		X
Miller		X
Perry		X
Phelps		X
Putnam		X
Ralls		X
Ray	X	
St. Clair	X	
Saline		X
Scott		X
Sullivan	X	
Taney		X
Total	6	15

In addition, we contacted the Missouri Department of Public Safety (DPS) to determine CAFA Seizure reports received by the DPS. We identified one county (Franklin) submitted the CAFA Seizure Report to the DPS but did not submit the required copy to the State Auditor, and three counties (Dunklin, Miller and St. Francois) submitted the required copy of the CAFA Seizure Report to the State Auditor but did not submit a copy to the DPS.



## Compilation of 2011 Criminal Activity Forfeiture Act Seizures Executive Summary

### Disposition of the Seizures Reported

The following table lists the dollar value of the disposition of seizures reported.

Reported Disposition <sup>1</sup>	2011		2010		2009				
Pending	\$	1,410,410	21 %	\$	985,482	17 %	\$	2,383,413	42 %
Returned		391,258	6		291,638	5		237,730	4
Transferred to Federal Agency		4,707,994	71		4,255,770	74		2,761,010	49
Transferred to State		158,589	2		25,974	1		30,673	1
Disposition Not Reported		0	0		5,430	0		85,876	2
Other		14,808	0		152,129	3		120,833	2
Total	\$	6,683,059	100 %	\$	5,716,423	100 %	\$	5,619,535	100 %

<sup>1</sup> The disposition of the CAFA seizures reported was compiled from the reports submitted by the prosecuting attorneys and the Attorney General.

See Appendix I for a list of the 2011 CAFA seizures disposition reported by each prosecuting attorney and the Attorney General.

### Compliance with Reporting the Required Information

Section 513.607.8, RSMo, requires prosecuting attorneys and the Attorney General to report the date, time, and place of the seizure; property seized; estimated value of the property seized; person(s) from whom the property was seized; criminal charges filed; and disposition of the seizure, forfeiture, and criminal actions. The following table lists the required information for the CAFA seizure reports received and the number of cases that reported each required item. Some reports did not include all of the required information; therefore, our compilation includes only the information reported.

Required Information	2011		2010		2009	
Date	508	100.0 %	465	99.6 %	442	99.8 %
Time	395	77.8	316	67.7	322	72.7
Place of Seizure	508	100.0	461	98.7	436	98.4
Property Seized	506	99.6	467	100.0	443	100.0
Estimated Value of Property Seized	493	97.0	440	94.2	431	97.3
Person(s) Property Seized From	508	100.0	467	100.0	443	100.0
Criminal Charges Filed	266	52.4	233	49.9	225	50.8
Disposition of Seizure	508	100.0	467	100.0	443	100.0
Disposition of Criminal Actions	412	81.1	371	79.4	380	85.8
Total Cases Reported	508	100.0 %	467	100.0 %	443	100.0 %

See Appendix II for a list of the number of 2011 CAFA seizure cases that included the required information reported for each prosecuting attorney and the Attorney General.

# Appendix I

## 2011 CAFA Seizures Disposition Reported

Reporting Entity	Estimated <sup>1</sup> Value of all Cases Reported	Status Reported as of December 31, 2011					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Adair	\$ 0						
Andrew	0						
Atchison	0						
Attorney General	0						
Audrain	4,273	4,273					
Barry	0						
Barton	DNF						
Bates	0						
Benton	0						
Bollinger	5,655			5,655			
Boone	691,694	28,487	70	659,857	3,280		
Buchanan	11,704	7,237		344	4,123		
Butler	4,312			4,312			
Caldwell	0						
Callaway	12,294	12,294					
Camden	164,041	164,041					
Cape Girardeau	10,120			10,120			
Carroll	0						
Carter	0						
Cass	7,872	1,163	6,709				
Cedar	0						
Chariton	0						
Christian	12,388	12,388					
Clark	6,907				6,907		
Clay	8,296	5,460	2,836				
Clinton	10,254		5,627		4,627		
Cole	39,392	30,979	3,947		4,466		
Cooper	1,798	1,798					
Crawford	0						
Dade	0						
Dallas	0						
Daviess	DNF						
Dekalb	0						
Dent	0						
Douglas	0						
Dunklin	0						
Franklin	15,220	11,093	4,127				
Gasconade	4,435	4,435					
Gentry	DNF						
Greene	58,245	52,855		5,390			
Grundy	800	147			653		
Harrison	5,220		5,220				
Henry	7,187	7,187					

# Appendix I

## 2011 CAFA Seizures Disposition Reported

Reporting Entity	Estimated <sup>1</sup> Value of all Cases Reported	Status Reported as of December 31, 2011					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Hickory	0						
Holt	0						
Howard	0						
Howell	3,653	3,653					
Iron	0						
Jackson	453,889	176,608	277,281				
Jasper	23,714	11,362	9,362		2,990		
Jefferson	109,780	53,867	200	55,713			
Johnson	2,664	2,664					
Knox	0						
Laclede	14,645	14,645					
Lafayette	67,055	46,874	5,373				14,808
Lawrence	2,791	2,791					
Lewis	0						
Lincoln	7,884	5,070			2,814		
Linn	1,313		1,313				
Livingston	0						
Macon	0						
Madison	0						
Maries	0						
Marion	0						
McDonald	0						
Mercer	0						
Miller	0						
Mississippi	35,720	35,720					
Moniteau	15,347	6,855		8,492			
Monroe	3,153	3,153					
Montgomery	121,297	119,692	1,605				
Morgan	0						
New Madrid	54,536	10,412	11,124	23,000	10,000		
Newton	4,563	3,173	1,390				
Nodaway	0						
Oregon	0						
Osage	0						
Ozark	0						
Pemiscot	0						
Perry	0						
Pettis	15,062	8,408			6,654		
Phelps	1,995,665	9,770	1,829	1,984,066			
Pike	4,200	4,200					
Platte	22,140	22,140					
Polk	7,000	7,000					
Pulaski	5,900	5,900					

# Appendix I

## 2011 CAFA Seizures Disposition Reported

Reporting Entity	Estimated <sup>1</sup> Value of all Cases Reported	Status Reported as of December 31, 2011					
		Pending	Returned	Transferred to Federal Agency	Transferred to State	Not Reported	Other
Putnam	0						
Ralls	0						
Randolph	13,907	13,677	230				
Ray	DNF						
Reynolds	4,552	2,579		1,973			
Ripley	0						
Saline	20,370	20,370					
Schuyler	0						
Scotland	0						
Scott	19,840	4,706		4,930	10,204		
Shannon	0						
Shelby	0						
St. Charles	1,941,308	34,222		1,907,086			
St. Clair	DNF						
St. Francois	11,979	11,979					
St. Louis County	384,047	251,793	9,000	28,244	95,010		
St. Louis City	205,677	149,859	40,145	8,812	6,861		
Ste. Genevieve	753	753					
Stoddard	0						
Stone	7,804	7,804					
Sullivan	DNF						
Taney	4,600	4,600					
Texas	0						
Vernon	0						
Warren	10,274	10,274					
Washington	0						
Wayne	0						
Webster	0						
Worth	0						
Wright	3,870		3,870				
	<u>\$ 6,683,059</u>	<u>1,410,410</u>	<u>391,258</u>	<u>4,707,994</u>	<u>158,589</u>	<u>0</u>	<u>14,808</u>

<sup>1</sup> DNF - Did not file a 2011 CAFA seizure report with the State Auditor's office.

This appendix compiles only the information reported to the State Auditor by prosecuting attorneys and the Attorney General, we did not verify this data. In analyzing this appendix, some differences may result due to the various methods used by the prosecuting attorneys and the Attorney General in presenting essentially the same information. In addition, not all seizure reports included an estimated value of the property seized.

Appendix II  
2011 CAFA Seizures Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated <sup>1</sup> Value of Cases Reported	Number of Cases that Reported Required Information								Disposition			
			Date	Time	Place Seized	Property Seized	Property Seized	Person(s) Seized From	Criminal Charges Filed					
										Seized	Seized	Seized	Seized	Seized
Adair	0	\$ 0												
Andrew	0	0												
Atchison	0	0												
Attorney General	0	0												
Audrain	7	4,273	7	7	7	7	7	7	7	7	7			
Barry	1	0	1		1	1		1	1	1	1			
Barton	DNF	DNF												
Bates	0	0												
Benton	0	0												
Bollinger	1	5,655	1	1	1	1	1	1	1	1	1			
Boone	13	691,694	13		13	13	13	13	11	13	13			
Buchanan	12	11,704	12	9	12	12	12	12	12	12	7			
Butler	1	4,312	1	1	1	1	1	1		1	1			
Caldwell	0	0												
Callaway	7	12,294	7	7	7	7	7	7	6	7	6			
Camden	7	164,041	7	4	7	7	7	7	7	7				
Cape Girardeau	1	10,120	1	1	1	1	1	1	1	1	1			
Carroll	0	0												
Carter	0	0												
Cass	2	7,872	2	2	2	2	2	2		2	2			
Cedar	0	0												
Chariton	0	0												
Christian	1	12,388	1	1	1	1	1	1	1	1				
Clark	1	6,907	1	1	1	1	1	1	1	1	1			
Clay	3	8,296	3	3	3	3	3	3	1	3	1			
Clinton	2	10,254	2	2	2	2	2	2	2	2	2			
Cole	17	39,392	17	17	17	17	16	17	16	17	16			
Cooper	1	1,798	1	1	1	1	1	1	1	1	1			
Crawford	0	0												
Dade	0	0												
Dallas	0	0												
Daviess	DNF	DNF												
Dekalb	0	0												
Dent	0	0												
Douglas	1	0	1	1	1	1		1	1	1	1			
Dunklin	0	0												
Franklin	11	15,220	11	8	11	11	11	11	5	11	4			
Gasconade	2	4,435	2		2	2	2	2	2	2	2			
Gentry	DNF	DNF												
Greene	10	58,245	10	3	10	10	7	10	1	10				
Grundy	4	800	4	4	4	4	4	4	4	4	4			
Harrison	1	5,220	1	1	1	1	1	1	1	1	1			

Appendix II  
2011 CAFA Seizures Required Information Reported

Reporting Entity	Number of Cases Reported	Number of Cases that Reported Required Information											
		Estimated <sup>1</sup> Value of Cases Reported	Estimated Value of Property Seized							Person(s) Seized From	Criminal Charges Filed	Disposition	
			Date	Time	Place Seized	Property Seized	Property Seized	Property Seized	Criminal Actions				
												Seizure	Criminal
Henry	1	7,187	1	1	1	1	1	1	1		1		
Hickory	0	0											
Holt	0	0											
Howard	0	0											
Howell	2	3,653	2	2	2	2	2	2	2	2	2	2	
Iron	0	0											
Jackson	55	453,889	55	49	55	54	55	55	12	55	54	54	
Jasper	9	23,714	9		9	9	8	9	9	9	9	9	
Jefferson	28	109,780	28	26	28	28	28	28	12	28	28	28	
Johnson	1	2,664	1		1	1	1	1		1	1	1	
Knox	0	0											
Laclede	2	14,645	2	2	2	2	2	2	2	2	2	2	
Lafayette	8	67,055	8	8	8	8	8	8	8	8	8	7	
Lawrence	2	2,791	2		2	2	1	2	2	2	2	1	
Lewis	0	0											
Lincoln	7	7,884	7		7	7	7	7	7	7	7	7	
Linn	1	1,313	1	1	1		1	1		1	1	1	
Livingston	0	0											
Macon	0	0											
Madison	0	0											
Maries	0	0											
Marion	0	0											
McDonald	0	0											
Mercer	0	0											
Miller	0	0											
Mississippi	1	35,720	1	1	1	1	1	1	1	1	1	1	
Moniteau	6	15,347	6	6	6	6	6	6	6	6	6	6	
Monroe	1	3,153	1	1	1	1	1	1	1	1	1	1	
Montgomery	4	121,297	4	4	4	4	4	4	4	4	4	4	
Morgan	0	0											
New Madrid	3	54,536	3		3	3	3	3	3	3	3	3	
Newton	4	4,563	4		4	4	4	4	4	4	4	4	
Nodaway	0	0											
Oregon	0	0											
Osage	0	0											
Ozark	0	0											
Pemiscot	0	0											
Perry	0	0											
Pettis	5	15,062	5	1	5	5	5	5	5	5	5	5	
Phelps	12	1,995,665	12	12	12	12	12	12	12	12	12	2	
Pike	1	4,200	1		1	1	1	1	1	1	1	1	
Platte	1	22,140	1	1	1	1	1	1		1	1	1	

## Appendix II

### 2011 CAFA Seizures Required Information Reported

Reporting Entity	Number of Cases Reported	Estimated <sup>1</sup> Value of Cases Reported	Number of Cases that Reported Required Information								
			Date	Time	Place Seized	Property Seized	Estimated Value of Property Seized	Person(s) Seized From	Criminal Charges Filed	Disposition	
										Seizure	Criminal Actions
Polk	1	7,000	1	1	1	1	1	1		1	1
Pulaski	1	5,900	1	1	1	1	1	1		1	1
Putnam	0	0									
Ralls	0	0									
Randolph	10	13,907	10		10	10	10	10	8	10	10
Ray	DNF	DNF									
Reynolds	3	4,552	3		3	3	3	3	3	3	3
Ripley	0	0									
Saline	2	20,370	2	2	2	2	2	2	2	2	2
Schuyler	0	0									
Scotland	0	0									
Scott	7	19,840	7		7	7	7	7	7	7	7
Shannon	0	0									
Shelby	0	0									
St. Charles	40	1,941,308	40	40	40	40	40	40	3	40	5
St. Clair	DNF	DNF									
St. Francois	8	11,979	8		8	8	7	8	2	8	8
St. Louis City	51	205,677	51	47	51	51	51	51	44	51	43
St. Louis County	110	384,047	110	110	110	110	108	110	9	110	106
Ste. Genevieve	1	753	1		1	1	1	1	1	1	
Stoddard	0	0									
Stone	2	7,804	2	2	2	2	2	2	2	2	2
Sullivan	DNF	DNF									
Taney	8	4,600	8		8	8	4	8	8	8	8
Texas	0	0									
Vernon	0	0									
Warren	3	10,274	3	3	3	3	3	3	3	3	3
Washington	0	0									
Wayne	0	0									
Webster	0	0									
Worth	0	0									
Wright	1	3,870	1		1	1	1	1	1	1	1
	508	\$ 6,683,059	508	395	508	506	493	508	266	508	412

<sup>1</sup> DNF - Did not file a 2011 CAFA seizure report with the State Auditor's office.

This appendix compiles the total number of 2011 CAFA seizure cases, the total estimated value of cases reported, and the number of cases that reported the required information by each prosecuting attorney and the Attorney General. We did not verify this data. In analyzing this appendix, some differences may result due to the various methods used by the prosecuting attorneys and the Attorney General in presenting essentially the same information. In addition, not all seizure reports included an estimated value of property seized.





Thomas A. Schweich  
Missouri State Auditor

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# Missouri Employers Mutual Insurance Company



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February 2012  
Report No. 2012-11

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of the Missouri Employers Mutual Insurance Company

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Background	<p>The Missouri Employers Mutual Insurance Company (MEM) was created by state statute to provide Missouri employers, particularly small businesses, with a means to obtain workers' compensation liability at a reasonable cost. MEM holds the dominant market share (approximately 16 percent) in Missouri. MEM has accumulated a surplus of \$163 million and has an excellent financial strength rating from A.M. Best.</p>
Summary	<p>MEM enjoys the federal income tax exempt status of a "public corporation", an advantage that competitors do not enjoy. With the help of this advantage, MEM has accumulated a surplus totaling in excess of \$160 million, and has become the dominant provider in the state's workers' compensation market. In addition, MEM essentially operates as a private entity, compensates officers and employees at rates that are in excess of public sector entities, incurs expenses that are not considered acceptable in the public sector, and does so without complying with state open records laws. State law is also not clear regarding MEM's purchase of a taxable subsidiary.</p>
Board Appointments	<p>Section 287.905.1, RSMo, states that the Governor shall appoint the initial five member board of directors, each of whom were to serve 5-year terms, after which the policyholders were to elect new directors in accordance with provisions determined by the board. Because the initial MEM board was appointed by the Governor, MEM was considered a public corporation, entitled to tax-exempt status. In an attempt to maintain its tax-exempt status, in 1997, MEM amended its bylaws to require the governor's approval of the majority of directors elected by policyholders.</p>
Tax-Exempt Status and Statutory Obligations	<p>MEM enjoys an advantage over its competitors by virtue of its tax-exempt status as a public corporation. It appears MEM has saved approximately \$50 million in federal taxes since 1993.</p> <p>MEM has certain statutory obligations other non-exempt companies do not have. Although it contended the additional costs of these obligations offset any advantage from being tax-exempt, MEM was unable to quantify the financial impact of these additional requirements.</p>
Compensation	<p>In 2010, MEM paid a total of over \$15 million in compensation and \$2 million in employee incentive bonuses for approximately 200 employees. Its top 10 highest paid employees received a total of \$2,460,921 in salaries and incentive payments, for an average of almost \$250,000 each. Incentive payments are generally prohibited for public employees.</p> <p>In addition, certain executive employment contracts included significant perks, such as paid health insurance coverage for an executive's spouse, 5 weeks paid time off, a company vehicle with paid maintenance and insurance, paid dues for professional societies and organizations, paid golf and athletic club memberships, and reimbursement of any employment-related expenses.</p>

MEM paid approximately \$1.58 million in severance benefits or payments to four former executives and employees who resigned or were terminated in 2009 or 2010, which may not comply with state law and/or may not be in the best interest of the company.

Expenditures	MEM made a number of expenditures in 2010 which would be considered excessive or unreasonable for a public sector entity, including more than \$300,000 for an all-inclusive retreat to Hawaii for 64 invitees; \$17,000 for St. Louis Cardinals suite tickets, some of which went unused; nearly \$80,000 for University of Missouri athletic events; \$280,000 to sponsor, donate or contribute to various events and entities; and \$80,000 for other company functions, such as retreats, golf outings, and jackets and a luncheon for its 15 year anniversary. A MEM internal investigation also identified political contributions totaling \$8,000 to the Missouri Democratic Party, monetary and in-kind donations to a Political Action Committee, \$4,000 in contributions for gubernatorial festivities, payment of a former executive's legal fees, and \$8,300 for 2010 playoff tickets (when the St. Louis Cardinals failed to make the playoffs).
Sunshine Law	MEM denies it is a quasi-public governmental body and, therefore, does not comply with state law regarding open records.
For-Profit Subsidiary	MEM paid \$7.2 million for a for-profit insurance company that held insurance licenses in other states, but state law may not allow it to provide coverage to Missouri companies that employ workers in other states.
Surplus and Dividends	The MEM board has not established a dividend policy, and it has yet to declare a dividend to its members despite having accumulated a surplus of approximately \$163 million.

Because of the nature of this audit, no overall rating is provided.

American Recovery and Reinvestment Act (Federal Stimulus)	The Missouri Employers Mutual Insurance Company did not receive any federal stimulus monies during the audited time period.
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# Missouri Employers Mutual Insurance Company

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the Missouri Employers Mutual  
Insurance Company Board of Directors  
and  
James C. Owen, President and Chief Executive Officer  
Columbia, Missouri

We have audited certain operations of the Missouri Employers Mutual Insurance Company in fulfillment of our duties under Chapter 29, RSMo. The company engaged BKD LLP, Certified Public Accountants & Advisors (CPAs), to audit the company's financial statements for the year ended December 31, 2010. We reviewed the report and substantiating working papers of the CPA firm and performed other procedures that we considered necessary in the circumstances. The company engaged Swink, Fiehler & Company P.C., Certified Public Accountants & Consultants, to audit the company's financial statements for the year ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate internal controls over significant management and financial functions.
2. Evaluate the company's compliance with certain legal provisions, including the requirements of Sections 287.900 thru 287.920, RSMo (i.e. the "Missouri Employers Mutual Insurance Company Act").
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the company, as well as certain external parties; reviewing other state workers' compensation insurance funds; and testing selected transactions. Citing attorney-client privilege, management withheld certain information contained in the Missouri Employers Mutual Board minutes, reports, and other documents. We could not audit certain information because of the limitations imposed on the scope of our audit.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

Except as discussed in the second paragraph, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the company's management and was not subjected to the procedures applied in our audit of the company.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) noncompliance with a legal provision, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Employers Mutual Insurance Company.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Robert E. Showers, CPA, CGAP
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Nathaniel Fast, M.Acct., CPA

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# Missouri Employers Mutual Insurance Company

## Management Advisory Report

### State Auditor's Findings

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#### 1. Missouri Employers Mutual Insurance Company (MEM)

The Governor's appointment of a majority of the company's Board of Directors allows MEM to continue operating as an "independent public corporation", thereby remaining exempt from federal income taxes, and appears to be inconsistent with state statute. Employee compensation levels, incentive payment plans, and large severance benefits paid by MEM would not be considered reasonable in the public sector. We also noted MEM made other expenditures which would not be considered appropriate for a public sector entity. In addition, MEM contends it is not subject to state open records laws, and it is not clear whether MEM could legally purchase its taxable subsidiary.

##### Board appointments

The majority of the MEM Board is appointed by the Governor as described in MEM bylaws. However, this practice and MEM bylaws conflict with Section 287.905.1, RSMo, which states the Governor only is to appoint the **initial** five member board of directors with policyholders to elect new directors in accordance with provisions determined by the board.

Section 287.905.1, RSMo states, "The governor shall appoint the initial five members of the board with the advice and consent of the senate. Each director shall serve a five-year term . . . . At the expiration of the term of any member of the board, the company's policyholders shall elect a new director in accordance with provisions determined by the board." The term of the last initial director appointed by the Governor expired in July of 1999.

In December 1997, MEM amended its bylaws to require the governor's approval of the majority of directors elected by the policyholders. MEM believes that this amendment to its bylaws allows it to retain public corporation status, even though the terms of the five initial board members appointed by the Governor pursuant to the statute have expired. The question for the General Assembly and/or the courts is whether the MEM Board can prolong its public corporation status beyond that allowed by statute by amending its bylaws to require governor approval of new directors. The SAO takes no position on this matter, but notes that MEM sometimes acts like a public corporation, in that it receives substantial tax advantages, and sometimes acts like a private corporation, in that it compensates its employees and makes significant expenditures for business development and employee morale at levels which would not be acceptable in the public sector.

##### Tax exempt status

By maintaining its federal tax-exempt status, MEM enjoys an advantage over similarly sized mutual and other insurance companies with which it competes, and has helped the company establish a strong financial condition. We estimate the tax exempt status has saved MEM about \$50



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million<sup>1</sup> in federal taxes since the company was created in 1993. As of December 31, 2010, MEM:

- Maintained a workers' compensation market share in Missouri of approximately 16 percent, according to Department of Insurance, Financial Institutions and Professional Registration data. This was approximately 13 percent more than the company with the next largest market share, and approximately 5 percent more than the next largest group of related insurers.
- Had accumulated a surplus of \$163 million, which includes a \$20 million surplus note.
- Held an excellent financial strength rating from A.M. Best.<sup>2</sup>

MEM officials indicated state statutes require MEM to incur additional operating costs that other non-exempt companies do not have. For example:

- Per Section 287.915, RSMo, MEM is required to underwrite policies for all of the estimated 4,000 agents licensed to sell workers' compensation insurance in the State of Missouri. For every agent that writes a workers' compensation insurance policy, MEM must underwrite the policy, maintain a file on the insurance agent, and pay that agent commissions. This is a requirement private companies do not have; thus increasing MEM's operating costs.
- MEM is required by Section 287.902, RSMo, to give preference to small business owners with annual premiums not greater than \$10,000. Over 80 percent of MEM policyholders are small businesses with annual premiums not greater than \$10,000. Per a MEM official, this increases MEM's operating costs.
- MEM is required by Section 287.917, RSMo, to formulate, implement, and monitor a work safety program for all policyholders. Per a MEM official, private companies do not have a similar requirement or the associated costs.

MEM officials contend these additional costs offset any advantage MEM receives from being tax-exempt. However, MEM was unable to quantify the impact of these additional requirements.

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<sup>1</sup> SAO calculation based on MEM's Unassigned Surplus of approximately \$143 million as of December 31, 2010, multiplied by the federal corporate tax rate of 35 percent.

<sup>2</sup> A.M. Best is a rating agency designated as a Nationally Recognized Statistical Rating Organization by the United States Securities and Exchange Commission. A.M. Best issues financial-strength ratings measuring insurance companies' ability to pay claims. It also rates financial instruments issued by insurance companies, such as bonds, notes, and securitization products.





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## Compensation

Our review of MEM's employee compensation and benefits showed high executive compensation levels, significant severance payments made to former executives, and significant incentive bonuses paid to all employees; all of which would be considered unreasonable for a public sector entity.

### Executive salaries

Executive salary compensation at MEM appears significantly higher than would be considered appropriate for a public sector entity. In addition, the latest compensation study performed by MEM in 2008, shows MEM employee compensation, including salaries and bonuses, by grade generally fell between the 25th and 75th percentile of the selected markets, with most executives near the 90th percentile. The markets MEM was compared to included mostly private insurance companies in the Midwest region. Per MEM officials, the year which the last study was based (2007) was an exceptional year for MEM which resulted in significant bonuses. However, MEM officials indicated more recent salary analysis performed by MEM suggests salaries and bonuses currently fall near the 50th percentile as compared to their peers.

Compensation and employee incentive bonuses for 2010 totaled over \$17 million for approximately 200 employees, an average total payout of approximately \$85,000 per employee. The salaries of the top 10 compensated employees for 2010 were as follows:

Employee	Salary
#1	\$ 312,820
#2	186,368
#3	182,796
#4	181,894
#5	169,676
#6	168,545
#7	159,812
#8	157,590
#9	149,473
#10	132,542
Total	\$ <u>1,801,516</u>

In addition to the salaries presented above, MEM paid these employees a total of \$659,405 in incentive payments, an average of \$65,940 per employee.

In addition to executive salary and incentives, we noted certain executive employment contracts which included significant perks, such as paid health insurance coverage for the executive and their spouse; 5 weeks paid time off; a company automobile including all vehicle maintenance and



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### Severance or Settlement Payments

insurance; paid dues in professional societies and organizations as deemed appropriate; paid golf and athletic club memberships; and reimbursement of any employment related expenses.

MEM paid approximately \$1.58 million in severance benefits or settlement payments to four former top executives and employees who either resigned or whose employment was terminated during the years ended December 31, 2009 and 2010.

Section 287.907.1, RSMo, states, "...the board shall hire an administrator who shall serve at the pleasure of the board...". In the public sector, such statutory language would generally indicate the entity/agency would not be liable or bound to pay that official any substantial compensation or severance benefits after employment is terminated. However, the MEM Board entered into employment agreements with its President/Chief Executive Officer, which may not comply with the Missouri Constitution and/or may not be in the best interest of the company.

Due to confidentiality agreements in place between MEM and the terminated employees, the State Auditor's Office agreed not to disclose details of the severance agreements approved by the Board. However, based on our review, the severance benefits paid to these former executives appear excessive. Recent discussions with a MEM official indicate that any future severance benefits paid to executives will be substantially reduced, or eliminated.

### Incentive Payments

Annually, MEM provides its employees with significant annual incentive payments. Currently, these incentive payments are based on organizational performance in the areas of premium growth, combined ratio (i.e. underwriting profit), and return on net premium (i.e. net income as a percentage of net premium revenue). If the established performance benchmarks are not met, an incentive would not be paid. Employee incentive payments based on 2010 and 2009 performance, paid out the following year, totaled approximately \$2 million and \$1.7 million, respectively.

The payment of severance and incentive payments is generally not acceptable or allowable in the public sector.

### Expenditures

Our audit identified MEM expenditures that would be considered excessive or unreasonable for a public sector entity. MEM also conducted an internal investigation of various expenditures which was made available for our review. The following instances were noted during the year ended December 31, 2010:

- MEM paid for an all-inclusive "Presidents Trip" for 64 invitees to Lanai, Hawaii from February 20 through 25, 2010, at a total cost of



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over \$300,000. Per MEM officials, MEM annually holds a "President's Trip", recognizing and rewarding MEM's top ten insurance agency performers. The agencies are scored based on their performance in premium growth, premium retention, and loss ratio. Per MEM officials, the top ten performers are invited because they play a significant role in MEM profitability and maintaining its position in the Missouri workers' compensation market. Each agency principal and their guest are usually hosted by MEM's President, Vice President of Sales and Marketing, and their guests.

Since this was the 15th anniversary of MEM's establishment, 64 invitees attended, including all 4 current board members and 3 guests, 7 executive staff and their guests, and a program employee. Agency attendees included the top ten performers, plus the ten most profitable agencies since MEM's inception, and their guests.

- MEM obtained 20 St. Louis Cardinals suite tickets per game for 8 regular season games, at a total cost of approximately \$17,000. MEM did not purchase the suite tickets from the Cardinals, but from an associate of a former board member. The suite is used to entertain insurance agents as an incentive for doing business with MEM. Per a MEM official, MEM attendees generally include the Business Development Manager(s) whose agents are attending, the Director of Sales, and/or the Vice President of Sales and Marketing, and sometimes the Chief Executive Officer.

We noted MEM was unable to use the suite tickets for a June 2010 game because the tickets were not received until the day of the game. In addition, 20 suite tickets for a July 2010 game were given to St. Louis branch office staff because the tickets were received 3 days prior to the game and there was not enough time to invite agents.

- MEM paid approximately \$60,000 for a suite, tickets, and parking passes for University of Missouri football games; and approximately \$12,000 for basketball tickets and parking passes. Attendees were generally similar to those noted for St. Louis Cardinals' games. MEM also spent approximately \$5,000 to cater its tailgate party at the University of Missouri's homecoming in 2010.
- MEM sponsored and made contributions or donations to various events and entities totaling approximately \$280,000. Per a MEM official, some of these expenditures are directly related to workers' compensation. For example, MEM contributed \$49,866 to the University of Central Missouri Foundation for expansion, renovation, and equipment for the University's Department of Safety Sciences, as well as establishing a scholarship within the



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department which offers safety programs for graduate and undergraduate students. In addition, MEM contributed \$17,870 to the Congressional Action Fund to have its opinion, along with other similar state workers' compensation funds, represented in Washington, DC. Other expenditures may not be directly related to workers' compensation, but the MEM official further stated that it is MEM's philosophy to have strong corporate values and be a good corporate citizen. For example, MEM provided a sponsorship of the 2010 Show-Me State Games at a cost of \$20,000, contributed \$16,667 to the Missouri Theatre Center for the Arts, and donated \$7,000 to the Heart of Missouri United Way.

- MEM expended approximately \$80,000 for company functions for the year ended December 31, 2010. These expenses included \$10,000 for a Board of Directors retreat held in Ridgedale, Missouri, which included board members, executive staff and their guests; approximately \$8,800 on 15 year anniversary jackets; and approximately \$7,000 on a 15 year anniversary luncheon. MEM also spent approximately \$16,000 for its annual golfing tournament.

Similar expenses were also noted for the year ended December 31, 2009. In addition, we noted the Chairman and Vice Chairman of the Board and their guests were in attendance during the 2009 "President's Trip" to Cabo San Lucas, Mexico. However, per MEM officials the attendance of the Chairman and Vice Chairman of the Board is not the typical practice each year.

### Internal Investigation

MEM also conducted an internal investigation of various expenditures dating as far back as 2003. Our review of this material noted the following additional expenditures which would be considered excessive or unreasonable for a public sector entity:

- Political contributions totaling \$8,000 made to the Missouri Democratic Party.
- Political contributions since 2003 totaling \$2,600 and in-kind contributions totaling approximately \$4,800 to the Insurance Coalition Political Action Committee.
- Contributions totaling \$4,000 for gubernatorial inaugural festivities in both 2005 and 2009.
- Payment of approximately \$8,000 for a former top executive's personal legal fees.
- Concerns over payments to, and charges made by, a former independent contractor who worked at MEM's St. Louis office.



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- St. Louis Cardinals' baseball suite and ticket purchases, including \$8,300 for 2010 playoff tickets (when the St. Louis Cardinals failed to make the playoffs).
- Concerns related to MEM's print shop performing "significant outside work" unrelated to company operations.
- Executive team restructuring that was not carried out as planned in January 2011.

After MEM's review of the above expenditures MEM took a number of confidential personnel actions with respect to various officers, employees and contractors. Reimbursement of political contributions and refund of unused St. Louis Cardinal tickets will be pursued, according to MEM officials. Finally, MEM strengthened controls in several related areas by approving new policies, mandating code of conduct training, and approving a criminal background check process for new and existing board members.

### Sunshine Law

Chapter 610, RSMo, commonly known as the "Sunshine Law", applies to public governmental bodies. Section 610.010(4), RSMo, defines a public governmental body as any governmental entity created by statute when operating in an administrative capacity. A quasi-public governmental body is also subject to the Sunshine Law. Section 610.010(4)(f), RSMo, defines a quasi-public governmental body as any corporation authorized to do business pursuant to Chapters 352, 353 or 355 of the Missouri statutes, or performs a public function as evidenced by a statutorily based capacity. While the MEM acknowledges that it is an "independent public corporation" it denies that it is a public governmental body or quasi-public governmental body for the purposes of the Sunshine Law. However, Section 287.902, RSMo, states that MEM was created to insure Missouri employers against liability from workers' compensation liability and " . . . shall have the powers granted a general-not-for-profit company pursuant to section 355.090, RSMo, . . . ". As such, the MEM is a quasi-public governmental body for the purposes of the Sunshine Law.

### Purchase of For-Profit Taxable Subsidiary

State law does not specifically address whether MEM may provide coverage to Missouri companies that employ workers in other states. In January 2011, MEM acquired a for-profit insurance company that held insurance licenses in other states. Based on our survey of similar entities in other states, we noted at least four with specific statutory authority to participate in such programs. In addition, the state code of Utah specifically allows the Workers' Compensation Fund of Utah to form or acquire subsidiaries for such a purpose.<sup>3</sup>

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<sup>3</sup> Title 31A, Chapter 33, Section 103.5



## Missouri Employers Mutual Insurance Company Management Advisory Report - State Auditor's Finding

Since 2003 MEM had contracted with a company that underwrites coverage for Missouri employers with employees who work outside the state, and then assumed coverage risk pursuant to a reinsurance agreement. However, on January 1, 2011, MEM acquired all the issued and outstanding shares of the United Security Insurance Company (USI), a Colorado-domiciled property and casualty company for \$7.2 million. The USI holds licenses in 18 states, primarily focused in the Midwest. Per MEM officials, the acquisition of this taxable unaffiliated subsidiary will allow MEM to provide out-of-state coverage directly and at considerably less cost. USI operations are expected to commence effective January 1, 2013. Per a MEM official, the insurance regulatory agency in the states of Missouri, Colorado, and Kansas approved, or at least did not object to MEM's acquisition of USI. Although MEM officials have stated USI will only be utilized to serve Missouri employers with out-of-state employees, the acquisition allows MEM to potentially serve employers outside of Missouri through USI.

While state law created MEM " . . . for the purpose of insuring Missouri employers . . ." the law does not specifically address whether MEM may insure workers employed outside the state.

### Conclusions

MEM enjoys the federal income tax exempt status of a "public corporation", an advantage that competitors do not enjoy. With the help of this advantage, MEM has accumulated a surplus totaling in excess of \$160 million, and has become the dominant provider in the state's workers' compensation market. In addition, MEM essentially operates as a private entity, compensates officers and employees at rates that are in excess of public sector entities, incurs expenses that are not considered acceptable in the public sector, and does so without complying with state open records laws. State law is also not clear regarding MEM's purchase of a taxable subsidiary.

### Recommendation

The General Assembly determine if MEM is operating and performing as initially intended, whether MEM continues to fulfill a necessary public mission, and clarify state law as is deemed appropriate. Specifically, the legislature should determine whether 1) it is appropriate for MEM to continue as a "public corporation" and maintain a tax exempt status, and if so, whether additional restrictions regarding employee compensation and operating expenditures are needed, 2) MEM is subject to the Sunshine Law, and 3) it is permissible for MEM to participate in "other state programs" through the purchase of its taxable subsidiary.

### Auditee's Response

*The following response was provided by MEM:*

*MEM is independent from the State. Missouri Employers Mutual commends the Auditor's staff for their courteous and professional work during this one-time, voluntary audit. In its 16-year history, MEM has never been subject to a state audit because (a) the statutes creating MEM specifically provide that it "shall not be a state agency," (b) MEM has no contracts with the state and*



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*(c) the only money ever received by MEM from the state was a startup loan that was repaid with interest in 1999. Although MEM is exempt from federal income taxes due to an IRS provision, MEM pays all state and local taxes and assessments. MEM agreed to this audit to clearly demonstrate that the company has proper internal controls in place, which this report confirms.*

*MEM has addressed the expenditures identified in the audit report. The Auditor's report raises some immaterial, questionable expenditures that MEM already had identified and addressed prior to the audit. MEM's new management has strengthened governance policies to be sure that expense policies are clearly understood and followed and that the company follows best practices. MEM's Board and management are responsible stewards who operate with integrity.*

*MEM's compensation and expenses are reasonable and necessary for a mutual insurance company. MEM respectfully disagrees with the Auditor's assessment that compensation and certain other expenses are unreasonable. This audit compares MEM to a public sector entity (i.e. state agency), which it is not. The statutes creating MEM state that the company "shall be organized and operated as a domestic mutual insurance company and it shall not be a state agency." Legislators made this explicit in the statute to allow MEM to compete with private insurers to solve the workers compensation crisis in Missouri and prevent it from reoccurring. Accordingly, MEM competes with nationally recognized private insurance companies for the same business, agents and employees. MEM's employee compensation averages in the 50<sup>th</sup> percentile, and its expenses and operating practices are consistent with that market. If MEM cannot continue to compete with other insurance companies by compensating employees at market levels, rewarding agents in keeping with industry norms and protecting proprietary information, MEM will be unable to successfully fulfill its statutory purpose.*

*Though MEM is not subject to the Sunshine Law, its operations are carefully regulated and as transparent as competitive circumstances permit. MEM is not a quasi-governmental body under the plain language of the Sunshine Law. The Auditor's report erroneously concludes that because MEM has been given the "powers of a not-for-profit pursuant to section 355.090, RSMo," that MEM is a quasi-governmental body under the Sunshine Law. However, MEM was created by Section 287.902 RSMo., and is authorized by the Missouri Secretary of State and the Department of Insurance to operate under Chapter 379 governing "Insurance Other than Life" companies. Accordingly, MEM does not meet the definition of a quasi-governmental body as stated in the report.*

*More important, MEM already is subject to significant public oversight. Pursuant to state law, MEM is audited by state insurance regulators and an independent auditor, and those audits are public. No significant deficiencies*



## Missouri Employers Mutual Insurance Company Management Advisory Report - State Auditor's Finding

*in internal violations or pattern of noncompliance with legal provisions were identified during the audit, and internal policies are in place to catch, prevent and report any instances of noncompliance.*

*MEM's subsidiary is authorized by state law and beneficial to its policyholders. With the approval of state regulators, and at the request of its agents and policyholders, MEM purchased a taxable, wholly owned subsidiary to better serve the needs of Missouri businesses which operate in other states. This transaction was specifically allowed under Missouri statutes applicable to domestic mutual insurance companies. Without this subsidiary, premiums from Missouri businesses will continue to flow to out-of-state insurance companies.*

*MEM serves its public purpose. MEM was created as a mutual insurance company with a public purpose to improve the workers compensation system, serve small policyholders and bring safety to workplaces. For 16 years MEM has served-and still serves-this public purpose and has earned its position as the market leader in Missouri through a commitment to service and safety. Today, more than 12,000 Missouri businesses-more than 80% of which are small businesses-and their 1,300 insurance agencies trust MEM as their workers compensation expert.*

## 2. Surplus and Dividends

The MEM Board of Directors has not established a policy to clarify when a policyholder dividend should be paid. The MEM has accumulated a surplus of approximately \$163 million (151 percent of 2010 premiums), but has yet to declare a dividend to its members. Per Section 287.920.4, RSMo, if the MEM achieves an excess of assets over liabilities, necessary reserves and a reasonable surplus, then a cash dividend may be declared or a credit allowed. In reviewing financial information available for other states' workers compensation funds, we noted several state workers' compensation funds that had previously issued policyholder dividends, many on an annual basis.

According to MEM officials, several factors are considered in relation to their ability to pay a policyholder dividend, including workers' compensation market conditions and the potential downgrade of their A.M. Best financial strength rating. MEM officials indicated reserves have been conservatively estimated, and this practice helps ensure the company has the financial strength to meet its future obligation. As a result, MEM officials indicated the MEM is currently in a position to pay a policyholder dividend and they are considering paying a dividend of approximately 2 to 3 percent of its surplus to qualified policyholders for 2012.

Establishing a dividend policy would allow the Board to establish how much surplus is deemed necessary for the MEM to maintain its financial security and would provide MEM policyholders with information regarding when potential dividend payments would be declared.





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Management Advisory Report - State Auditor's Finding

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## Recommendation

The MEM Board of Directors establish a policy to determine when dividends are paid to policyholders.

## Auditee's Response

*The following response was provided by MEM:*

*MEM's policyholder equity is reasonable and necessary. Like all insurance companies, MEM must retain its policyholder equity (known in the insurance industry as "surplus") to guarantee the solvency of the company and remain the insurer of choice for thousands of Missouri businesses. This equity is also necessary for MEM to maintain its A- rating issued by A.M. Best, a key rating that measures a company's financial strength. MEM's policyholder equity is not profit; it is necessary to ensure the company's ability to pay all present and future claims and remain viable.*

*MEM has adopted a financial policy concerning dividends. With the help of financial experts, MEM has carefully evaluated when it could issue a dividend without threatening the financial strength of the company and harming its policyholders/owners. As the audit report notes, MEM informed the Auditor that it was considering a dividend in 2012 based on year-end 2011 results and the opinions of its financial experts. As the Auditor recommends, MEM has established a policy that allows the company to continue to maintain a reasonable level of policyholder equity while also giving back to policyholders in the form of dividends and/or lower rates when financially appropriate.*

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# Missouri Employers Mutual Insurance Company

## Organization and Statistical Information

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The Missouri Employers Mutual Insurance Company (MEM) was created in 1993 by Section 287.902, RSMo, to provide employers, particularly small businesses, with the means to obtain workers' compensation insurance, and at a reasonable cost. MEM was organized as a domestic mutual insurance company and by statute, is not a state agency. In March 1995, MEM began operations with the help of a \$5 million startup loan from the state which it paid back early in 1999. Subsequently, no additional state funding has been provided to MEM.

MEM is the largest worker's compensation insurer in the state with approximately 12,000 policyholders, mostly small businesses. MEM is a self-supporting and self-sustaining insurance company operating on investment income and premiums generated from policyholders.

MEM is governed by a five member board who serve staggered 5 year terms. In 1997, MEM members voted to amend their bylaws to allow the Governor's office to make the majority of its board appointments (i.e. three of five members), allowing the company to receive federal tax breaks for quasi-public workers' compensation insurers.

### Other State Funds

Beginning in the early 1900s, legislators across the country began establishing state workers' compensation insurance funds to provide a stable source of workers' compensation insurance coverage. Today there are 26 such funds across the country. While some state funds operate without competition, and others operate in a competitive market, depending on the laws under which they were created, the funds share basic concepts and principles. MEM has similar characteristics to many of these other state funds, including:

- Defined by applicable state law as an independent public corporation operated as a mutual insurance company.
- Non-profit and tax-exempt.
- Not being a state agency, nor considering themselves subject to open meeting or records laws (although this has been recently challenged in several states.)
- Having a majority of board members appointed by the Governor (some states' boards are appointed by state legislature.)
- Having an "other state program" to provide workers' compensation insurance to policyholders that are domiciled within the state, but with employees working in other states.
- Maintaining a significant share of the state's workers' compensation market and having accumulated a sizeable surplus (many other state



## Missouri Employers Mutual Insurance Company Organization and Statistical Information

funds exceed MEM's market share and surplus, several doing so significantly.)

The MEM Board of Directors at December 31, 2010, were:

Members	Term Expires*
Douglas D. Morgan, Chairman (1)	July 1, 2012
James C. Owen, Vice Chairman (2)	July 1, 2014
James J. Jura (3)	July 1, 2015
Gary B. O'Neal (4)	July 1, 2016
Vacant (5)	July 1, 2013

\* All members continue to serve on the board until replacements are appointed by the Governor or elected by the MEM's policyholders.

- (1) Resigned effective May 2011, and was replaced by Charles Caisley in August 2011, elected by MEM policyholders.
- (2) Governor appointed in September 2010, to fill the unexpired term vacated by Roger B. Wilson who resigned effective January 2010, to become President and Chief Executive Officer. Seat was vacated in December 2011 when Owen was named President and Chief Executive Officer. A replacement has not yet been named.
- (3) Reappointed by the Governor in February 2011, to new term expiring July 1, 2015.
- (4) Elected by policyholders in April 2010, to replace Karen Pletz who resigned in March 2010. Reelected July 2011, to new term expiring July 1, 2016.
- (5) Seat left vacant upon the resignation of Stuart Campbell in December 2010. Judith Heeter was appointed by the Governor in February 2011, to fill the unexpired term.

At December 31, 2010, MEM had approximately 200 employees in its Columbia headquarters and branch offices in Kansas City, St. Louis, and Springfield. Dennis W. Smith had served as the Chief Executive Officer since MEM's establishment, until his retirement in May 2009. Roger B. Wilson served as the interim Chief Executive Officer from June 2009 until January 2010, when he accepted the position of Chief Executive Officer. He resigned this position effective June 2011. James C. Owen replaced Wilson on an interim basis effective June 2011, and was officially named the Chief Executive Officer in December 2011.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

MEM did not receive any federal stimulus monies during the 2 years ended December 31, 2010.

A summary of MEM's financial activity is presented in the following appendix.

## Appendix

### Missouri Employers' Mutual Insurance Company

#### Comparative Statement of Revenues, Expenditures and Surplus - Statutory Basis

(Dollars in thousands)

	Year Ended December 31,				
	2010	2009	2008	2007	2006
BEGINNING SURPLUS	\$ 154,351	134,723	133,486	113,584	93,513
REVENUES					
Premiums earned, net of reinsurance	107,790	109,910	128,872	135,809	130,400
Net investment income	14,323	14,202	13,374	11,790	9,190
Net realized capital gains	2,109	-	-	1,924	326
Other income	473	364	306	538	198
Total Revenues	124,695	124,476	142,552	150,061	140,114
EXPENDITURES					
Losses incurred, net of reinsurance	66,860	58,916	67,168	68,492	69,306
Loss expenses incurred	11,465	12,114	12,213	14,100	13,865
Other underwriting expenses incurred	35,167	38,829	45,498	45,464	40,394
Net realized capital losses	-	903	2,625	-	-
Loss from premium balances charged-off	1,160	837	1,123	633	410
Total Expenditures	114,652	111,599	128,627	128,689	123,975
NET INCOME	10,043	12,877	13,925	21,372	16,139
OTHER SOURCES (USES)					
Change in non-admitted assets	(4,920)	2,134	(1,221)	532	1,938
Change in net unrealized gains/(losses)	3,714	4,617	(11,467)	(2,002)	1,994
Other	(91)	-	-	-	-
Total Other Sources (Uses)	(1,297)	6,751	(12,688)	(1,470)	3,932
ENDING SURPLUS	\$ 163,097	154,351	134,723	133,486	113,584
SURPLUS					
Surplus note and accrued interest	20,036	20,036	20,058	20,083	20,080
Unassigned surplus	143,061	134,315	114,665	113,403	93,504
TOTAL SURPLUS	\$ 163,097	154,351	134,723	133,486	113,584

Source: MEM Annual Audit Reports



Thomas A. Schweich  
Missouri State Auditor

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## Office of State Treasurer

Year Ended  
June 30, 2011



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February 2012  
Report No. 2012-10

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Audit of the Office of State Treasurer

Background	<p>On January 12, 2009, Clint Zweifel was inaugurated as the forty-fifth Missouri State Treasurer.</p> <p>The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer are to be the custodian of all state funds, and determine the amount of state monies not needed for current operating expenses and invest such monies as allowed by state law. The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.</p>
Audit Findings	<p>The state auditor is required to conduct an annual audit of the Office of State Treasurer. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The audit report includes an unqualified opinion on the financial statements of the Office of State Treasurer. No findings resulted from our audit.</p>

In the areas audited, the overall performance of this entity was **Excellent**.\*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	<p>The Office of State Treasurer did not receive any federal stimulus monies during the audited time period.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

<b>Excellent:</b>	The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
<b>Good:</b>	The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
<b>Fair:</b>	The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
<b>Poor:</b>	The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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OFFICE OF STATE TREASURER

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## FINANCIAL SECTION

## State Auditor's Reports



# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

### **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Honorable Clint Zweifel, State Treasurer  
Jefferson City, Missouri

We have audited the accompanying financial statements of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer as of and for the year ended June 30, 2011. These financial statements are the responsibility of the office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A., the financial statements of the Office of State Treasurer are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Office of State Treasurer. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United

States of America. However, the State of Missouri issued its Comprehensive Annual Financial Report for the year ended June 30, 2011, and that report was prepared in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund of the Office of State Treasurer, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements, taken as a whole, that are referred to in the first paragraph. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

December 30, 2011

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Douglas Porting, CPA, CFE
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Emily Bias
	Jared Wooderson
	M. M. Williams
	Karla Swift, MBA



# THOMAS A. SCHWEICH

## Missouri State Auditor

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Clint Zweifel, State Treasurer  
Jefferson City, Missouri

We have audited the financial statements of the Office of State Treasurer as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of the Office of State Treasurer is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the office's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the office's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management of the Office of State Treasurer and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible, and a middle initial "A" in the center.

Thomas A. Schweich  
State Auditor

December 30, 2011

## Management's Discussion and Analysis



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Office of the Missouri State Treasurer's (the Treasurer's Office) financial activities for the fiscal year ended June 30, 2011.

### HIGHLIGHTS

- The assets of the Treasurer's Office exceeded its liabilities by \$1,099,286. The entire amount may be used to meet the office's ongoing obligations.
- The office's total net assets increased by \$363,788. The increase in net assets was caused by an increase in the revenues received in fiscal year 2011 as compared to revenues from fiscal year 2010.
- As of the close of the current fiscal year, the Treasurer's Office governmental funds reported combined ending fund balances of \$1,053,570, an increase of \$356,370 in comparison with the prior year. The total amount is available for spending as of July 1, 2011, at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Treasurer's Office basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Treasurer's Office, like the State of Missouri, uses fund accounting to ensure and demonstrate compliance with statutory requirements. All of the funds of the Treasurer's Office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for most of the basic services provided by the Treasurer's Office. Unlike the government-wide financial statements prepared by the State of Missouri, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

The Treasurer's Office maintains two individual governmental funds, a general fund and a special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the State Treasurer's General Operations Fund and the State Treasurer's Information Fund.

*Proprietary funds.* Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees and utilize the full accrual

basis of accounting. The Treasurer's Office maintains one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the state government and also utilize the full accrual basis of accounting. The Treasurer's Office maintains one fiduciary fund, the Abandoned Fund Account Fund, to account for unclaimed property turned over to the state in accordance with state statute.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

## **FUND STATEMENT ANALYSIS**

### **Governmental Funds:**

At the end of fiscal year 2011, the Treasurer's Office governmental funds reported combined ending fund balances of \$1,053,570, an increase of \$356,370 from fiscal year 2010. This entire amount is available for spending at the discretion of the Treasurer's Office within the purposes and limits of the office's appropriation authority.

Fund balances for the governmental funds are as follows:

	Treasurer's General Operations Fund	Treasurer's Information Fund	Total
Fund Balance	\$1,049,976	\$3,594	\$1,053,570

The Treasurer's General Operations Fund was the primary operating fund for the Treasurer's Office in fiscal year 2011. At the end of fiscal year 2011, the Treasurer's General Operations Fund reported a total fund balance of \$1,049,976. The net increase in fund balance during fiscal year 2011 was \$355,567. Revenues of the Treasurer's General Operations Fund totaled \$3,086,938, and expenditures of the Treasurer's General Operations Fund totaled \$2,731,371. Contributing factors follow:

- In fiscal year 2010, the Treasurer's Office revised the calculations used when depositing a portion of the state's interest earnings into the Treasurer's General Operations Fund pursuant to Section 30.605, RSMo, and subsequently increased the amount of revenues to the fund. The results of this mid-fiscal year change continued into fiscal year 2011 and allows the office to manage the fund cash balance more effectively and to more closely match the expenditure authority from the fund.

The Treasurer's Information Fund was a supplemental operating fund for the Treasurer's Office in fiscal year 2011. At the end of fiscal year 2011, the Treasurer's Information Fund reported a total fund balance of \$3,594. The net increase in fund balance during fiscal year 2011 was \$803. Revenues of the Treasurer's Information Fund totaled \$2,021. Expenditures of the Treasurer's Information Fund totaled \$820 in fiscal year 2011. Contributing factors follow:

- In fiscal year 2011, the Treasurer's Information Fund collections exceeded amounts spent from the fund for the preparation, reproduction, or dissemination of information or publications of the State Treasurer's Office. This resulted from two primary factors: 1) The Treasurer's Office ceased printing multiple copies of a monthly report and now disseminates this information electronically; and 2) the Treasurer's Office received multiple open records requests that required substantial staff time to respond. The personal service costs were billed and the resulting receipts were deposited into the fund pursuant to Section 30.610, RSMo.

### **Proprietary Funds:**

The Treasurer's Office has one proprietary fund, the Central Check Mailing Service Revolving Fund. This fund is an internal service fund, used as an accounting device to accumulate and allocate costs for centralized check mailing services provided by the Treasurer's Office to other state agencies.

The Central Check Mailing Service Revolving Fund's net assets increased by \$7,418. This is primarily due to a decrease in operating expenditures.

### **NEXT YEAR'S BUDGET**

The Treasurer's Office budget for fiscal year 2012 received a decrease from the appropriation levels in the fiscal year 2011 budget by one and one-fourth percent in the State Treasurer's General Operations Fund.

On June 29, 2009, Governor Nixon signed the Invest in Missouri legislation that reinvests \$1 billion in Missouri communities. Beginning January 1, 2010, the legislation began phasing out the statutory interest rate cap that tied state time deposits to the return of short-term U.S. Treasury securities. January 1, 2012 begins the third year of the phase-out period and financial institutions with time deposits totaling over \$3 million of state funds shall pay the state a market rate of interest on the amount on deposit exceeding \$3 million.

## Fund Financial Statements

**OFFICE OF STATE TREASURER  
BALANCE SHEET  
TREASURER'S GENERAL OPERATIONS  
FUND 0164  
June 30, 2011**

---

**Assets**

Cash and Cash Equivalents	\$	351,707
Investments		810,090
Invested Securities Lending Collateral		<u>42,919</u>
Total Assets	\$	<u><u>1,204,716</u></u>

**Liabilities and Fund Balance**

Liabilities:

Accounts Payable	\$	25,876
Accrued Payroll		41,839
Securities Lending Obligation		42,919
Due to Other Funds		<u>44,106</u>
Total Liabilities		<u>154,740</u>

Fund Balance:

Unassigned		<u>1,049,976</u>
Total Fund Balance		<u>1,049,976</u>
Total Liabilities and Fund Balance	\$	<u><u>1,204,716</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TREASURER'S GENERAL OPERATIONS**  
**FUND 0164**  
**For the Fiscal Year Ended June 30, 2011**

---

**Revenues:**

Investment Earnings:

Net Increase (Decrease) in the Fair Value of Investments	\$ (1,500)
Cost Recovery	3,087,426
Cost Reimbursement/Miscellaneous	<u>1,012</u>

Total Revenues	<u>3,086,938</u>
----------------	------------------

**Expenditures:**

Current:

General Government	<u>2,731,371</u>
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Total Expenditures	<u>2,731,371</u>
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Net Change in Fund Balance	355,567
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Fund Balance - Beginning	<u>694,409</u>
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Fund Balance - Ending	<u><u>\$ 1,049,976</u></u>
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The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER  
BALANCE SHEET  
TREASURER'S INFORMATION  
FUND 0255  
June 30, 2011**

---

**Assets**

Cash and Cash Equivalents	\$	1,088
Investments		2,506
Invested Securities Lending Collateral		<u>133</u>
Total Assets	\$	<u><u>3,727</u></u>

**Liabilities and Fund Balance**

Liabilities:

Securities Lending Obligation	\$	<u>133</u>
Total Liabilities		<u>133</u>

Fund Balance:

Committed for General Government		<u>3,594</u>
Total Fund Balance		<u>3,594</u>
Total Liabilities and Fund Balance	\$	<u><u>3,727</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TREASURER'S INFORMATION**  
**FUND 0255**  
**For the Fiscal Year Ended June 30, 2011**

---

**Revenues:**

Investment Earnings:

Net Increase (Decrease) in the Fair Value of Investments	\$	(6)
Cost Reimbursement/Miscellaneous		<u>2,027</u>

Total Revenues		<u>2,021</u>
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**Expenditures:**

Current:

General Government		<u>1,201</u>
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Total Expenditures		<u>1,201</u>
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Excess Revenues (Expenditures)		<u>820</u>
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**Other Financing Sources (Uses):**

Transfers Out		<u>(17)</u>
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Total Other Financing Sources (Uses)		<u>(17)</u>
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Net Change in Fund Balance		803
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Fund Balance - Beginning		<u>2,791</u>
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Fund Balance - Ending	\$	<u><u>3,594</u></u>
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The accompanying Notes to the Fund Financial Statements are an integral part of this statement.



**OFFICE OF STATE TREASURER**  
**STATEMENT OF NET ASSETS**  
**CENTRAL CHECK MAILING SERVICE REVOLVING**  
**FUND 0515**  
**June 30, 2011**

---

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 5,700
Investments	13,128
Invested Securities Lending Collateral	696
Due from Other Funds	29,803
Total Current Assets	<u>49,327</u>

Non-Current Assets:

Capital Assets:

Equipment	4,823
Less Accumulated Depreciation/Amortization	<u>(4,823)</u>
Total Non-Current Assets	<u>0</u>
Total Assets	<u>49,327</u>

**Liabilities**

Current Liabilities:

Accounts Payable	457
Accrued Payroll	777
Securities Lending Obligation	696
Due to Other Funds	762
Total Current Liabilities	<u>2,692</u>

Non-Current Liabilities:

Compensated Absences	<u>919</u>
Total Non-Current Liabilities	<u>919</u>
Total Liabilities	<u>3,611</u>

**Net Assets**

Unrestricted	<u>45,716</u>
Total Net Assets	<u>\$ 45,716</u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**CENTRAL CHECK MAILING SERVICE REVOLVING**  
**FUND 0515**  
**For the Fiscal Year Ended June 30, 2011**

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**Operating Revenues:**

Charges for Services	\$ 115,910
Total Operating Revenues	<u>115,910</u>

**Operating Expenses:**

Personal Service	37,535
Operations	69,434
Depreciation/Amortization	<u>1,520</u>
Total Operating Expenses	<u>108,489</u>

Operating Income (Loss)	<u>7,421</u>
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**Non-Operating Revenues (Expenses):**

Investment Earnings:	
Net Increase (Decrease) in the Fair Value of Investments	<u>(3)</u>

Total Non-Operating Revenues (Expenses)	<u>(3)</u>
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Change in Net Assets	7,418
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Total Net Assets - Beginning	<u>38,298</u>
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Total Net Assets - Ending	<u><u>\$ 45,716</u></u>
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The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF CASH FLOWS**  
**CENTRAL CHECK MAILING SERVICE REVOLVING**  
**FUND 0515**  
**For the Fiscal Year Ended June 30, 2011**

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**Cash Flows from Operating Activities:**

Receipts from Customers and Users	\$ 115,910
Payments to Suppliers	(69,221)
Payments to Employees	(37,534)
Net Cash Provided (Used) by Operating Activities	<u>9,155</u>

**Cash Flows from Non-Capital Financing Activities:**

Due to/from Other Funds	<u>5,195</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>5,195</u>

**Cash Flows from Investing Activities:**

Proceeds from Sales and Investment Maturities	0
Purchase of Investments	<u>(9,559)</u>
Net Cash Provided (Used) by Investing Activities	<u>(9,559)</u>

Net Increase (Decrease) in Cash	4,791
Cash and Cash Equivalents, Beginning of Year	909
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,700</u></u>

**Reconciliation of Operating Income (Loss) of**

**Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ 7,421
Depreciation/Amortization Expense	1,520
Changes in Assets and Liabilities:	
Accounts Payable	213
Accrued Payroll	(19)
Compensated Absences	16
Due to Other Funds	4
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 9,155</u></u>

The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**ABANDONED FUND ACCOUNT**  
**FUND 0863**  
**June 30, 2011**

---

**Assets**

Cash and Cash Equivalents	\$ 6,115,144
Investments at Fair Value	14,085,070
Invested Securities Lending Collateral	746,235
Capital Assets:	
Equipment	46,517
Software	8,546
Less: Accumulated Depreciation/Amortization	<u>(36,139)</u>
Total Capital Assets, Net	<u>18,924</u>
 Total Assets	 <u>20,965,373</u>

**Liabilities**

Accounts Payable	6,941
Accrued Payroll	30,182
Securities Lending Obligation	746,235
Compensated Absences	<u>30,506</u>
 Total Liabilities	 <u>813,864</u>

**Net Assets**

Net Assets Held in Trust for Other Purposes	\$ <u><u>20,151,509</u></u>
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The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

**OFFICE OF STATE TREASURER**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**ABANDONED FUND ACCOUNT**  
**FUND 0863**  
**For the Fiscal Year Ended June 30, 2011**

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**Additions:**

Increase (Decrease) in Appreciation of Assets	\$ (21,463)
Unclaimed Property	44,620,340
Miscellaneous	<u>33</u>
Total Additions	<u>44,598,910</u>

**Deductions:**

Administrative Expenses	1,702,066
Program Distributions	34,709,171
Depreciation/Amortization	16,152
Disposal of Capital Assets	<u>14,931</u>
Total Deductions	<u>36,442,320</u>

Change in Net Assets	8,156,590
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Net Assets - Beginning	<u>11,994,919</u>
------------------------	-------------------

Net Assets - Ending	<u><u>\$ 20,151,509</u></u>
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The accompanying Notes to the Fund Financial Statements are an integral part of this statement.

## Notes to the Fund Financial Statements

OFFICE OF STATE TREASURER  
NOTES TO THE FUND FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying fund financial statements of the Office of State Treasurer have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The State Treasurer's Office has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989, for proprietary activities.

The financial statements present the financial position, the changes in financial position and, where applicable, cash flows of only the transactions of the Office of State Treasurer. They do not present the financial position of the State of Missouri as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with GAAP. However, the State of Missouri issued a Comprehensive Annual Financial Report for the State of Missouri for the fiscal year ended June 30, 2011, in conformity with GAAP.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Expenditures are recognized when the related fund liability is incurred except for compensated absences (accumulated vacation and compensatory time) and sick pay which are recorded as expenditures when paid.

The proprietary and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type

operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

C. Basis of Presentation

The Office of State Treasurer's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds:

- 1) Governmental Funds include the general funds and the special revenue funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the state. The Treasurer's General Operations Fund and the Treasurer's Information Fund are governmental funds.
- 2) Proprietary Funds include internal service funds. These funds account for the cost of certain services provided by the state. The Central Check Mailing Service Revolving Fund is a proprietary fund.
- 3) Fiduciary Funds include private-purpose trust funds. These funds account for assets held by the state in a trustee capacity or as an agent for individuals, other governments, and other funds. The Abandoned Fund Account Fund is a fiduciary fund.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of 3 months or less, such as repurchase agreements. Cash balances of the Treasurer's General Operations Fund, Treasurer's Information Fund, Central Check Mailing Service Revolving Fund, and Abandoned Fund Account Fund are pooled with other state funds and invested by the State Treasurer.



E. Investments

These are long-term investments with an original maturity greater than 3 months which are expected to be held to maturity and redeemed at face value. All investments are reported at fair value.

F. Interfund Receivables/Payables

The state makes various transactions between funds to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" on the Balance Sheet and Statement of Net Assets. Payables are classified as "due to other funds" on the Balance Sheet and Statement of Net Assets. These receivables/payables are due within one year.

G. Capital Assets

Capital assets, which include equipment and software, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for equipment is \$1,000 and for software is \$5,000.

Equipment and software are depreciated/amortized using the straight-line method of depreciation/amortization over a useful life of 5 years for equipment and 3 to 5 years for software.

H. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements since they are presented on the modified accrual basis of accounting. These long-term liabilities include the following:

Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid.

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the state.

2. Deposits, Investments and Securities Lending Program

The Office of State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Described below is the portfolio that represents the "Cash and Cash Equivalents" and "Investments" as reported at June 30, 2011.

A. Deposits

The state minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. State laws restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50 percent at the time of deposit and deposits must be collateralized at least 100 percent with approved securities. Deposits must have a maturity of 5 years or less and earn interest at varying rates based on state law.

B. Investments

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within 5 years, commercial paper and banker's acceptances maturing within 180 days, or repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2011.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the State Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the state will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the state's name at the state's custodial bank.

The state's investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 2.5 years, and holding at least 25 percent of the portfolio's total market value in securities with a maturity of 12 months or less.

The state minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5 percent of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15 percent of the total portfolio invested in repurchase agreements with a single counterparty. During fiscal year 2011, the state did not have more than 5 percent of total investments in a single issuer.

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. and Standard & Poor's Corporation. The State Treasurer does not have any additional policies regarding credit ratings of investments.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's Office does not have any deposits or investments in foreign currency and therefore does not have a policy regarding foreign currency risk.

#### C. Securities Lending Program

The State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. For securities which are received as collateral under a bonds borrowed program, at least 75 percent of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102 percent of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

### 3. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental Activities:				
Equipment, Governmental Funds	\$ 297,920	\$ 64,904	\$ (184,826)	\$ 177,998
Software, Governmental Funds	10,446	0	0	10,446
Equipment, Proprietary Funds	25,577	0	(20,754)	4,823
Total Equipment	<u>333,943</u>	<u>64,904</u>	<u>(205,580)</u>	<u>193,267</u>
Less Accumulated Depreciation/Amortization for:				
Equipment, Governmental Funds	(220,945)	(31,309)	162,618	(89,636)
Software, Governmental Funds	(4,530)	(3,482)	0	(8,012)
Equipment, Proprietary Funds	<u>(24,057)</u>	<u>(1,520)</u>	<u>20,754</u>	<u>(4,823)</u>
Total Accumulated Depreciation/Amortization	<u>(249,532)</u>	<u>(36,311)</u>	<u>183,372</u>	<u>(102,471)</u>
Governmental Activities Capital Assets, Net	<u>\$ 84,411</u>	<u>\$ 28,593</u>	<u>\$ (22,208)</u>	<u>\$ 90,796</u>

### 4. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 108,056	\$ 96,210	\$ 94,329	\$ 109,937	\$ 109,937
Total Governmental Activities	<u>\$ 108,056</u>	<u>\$ 96,210</u>	<u>\$ 94,329</u>	<u>\$ 109,937</u>	<u>\$ 109,937</u>

5. Payables

A summary of accounts payable at June 30, 2011, is shown below:

	Governmental Funds	Proprietary Fund	Balance June 30, 2011
Accounts Payable:			
Vendors	\$ 25,876	\$ 457	\$ 26,333
Employees	41,839	777	42,616
Total Accounts Payable	<u>\$ 67,715</u>	<u>\$ 1,234</u>	<u>\$ 68,949</u>

6. Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2011, is shown below:

	<u>Due To/From Other Funds</u>		
	Treasurer's General Operations Fund	Central Check Mailing Service Revolving Fund	Totals
Due to Other Funds:			
General Government	\$ 44,106	\$ 762	\$ 44,868
Totals	<u>\$ 44,106</u>	<u>\$ 762</u>	<u>\$ 44,868</u>
Due From Other Funds:			
General Government	\$ 0	\$ 29,803	\$ 29,803
Totals	<u>\$ 0</u>	<u>\$ 29,803</u>	<u>\$ 29,803</u>

Interfund assets do not equal interfund liabilities because only funds related to the State Treasurer's Office are being presented, not all state funds.

7. Restatements

During fiscal year 2011, net assets of the Central Check Mailing Service Revolving Fund were restated due to a decrease in amounts due from other funds following an adjustment for uncollectible amounts. A summary of this restatement is shown below:

June 30, 2010, Net Assets Previously Reported	\$ 38,481
Prior Period Adjustment	(183)
June 30, 2010, Net Assets Restated	<u>\$ 38,298</u>

## Required Supplementary Information

**OFFICE OF STATE TREASURER  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	Treasurer's General Operations Fund				Treasurer's Information Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 797,291	\$ 797,291	\$ 797,291	\$ 0	\$ 2,784	\$ 2,784	\$ 2,784	\$ 0
Resources (Inflows):								
Interest	2,810,000	2,810,000	3,088,438	278,438	0	0	0	0
Intergovernmental	0	0	0	0	8,000	8,000	2,027	(5,973)
Total Resources (Inflows)	<u>2,810,000</u>	<u>2,810,000</u>	<u>3,088,438</u>	<u>278,438</u>	<u>8,000</u>	<u>8,000</u>	<u>2,027</u>	<u>(5,973)</u>
Amount Available for Appropriation	<u>3,607,291</u>	<u>3,607,291</u>	<u>3,885,729</u>	<u>278,438</u>	<u>10,784</u>	<u>10,784</u>	<u>4,811</u>	<u>(5,973)</u>
Charges to Appropriations (Outflows):								
General Government	2,061,954	2,062,757	2,047,649	15,108	8,000	8,000	1,201	6,799
Transfers Out	840,733	821,924	676,756	145,168	15	17	17	0
Total Charges to Appropriations	<u>2,902,687</u>	<u>2,884,681</u>	<u>2,724,405</u>	<u>160,276</u>	<u>8,015</u>	<u>8,017</u>	<u>1,218</u>	<u>6,799</u>
Ending Budgetary Fund Balance	<u>\$ 704,604</u>	<u>\$ 722,610</u>	<u>\$ 1,161,324</u>	<u>\$ 438,714</u>	<u>\$ 2,769</u>	<u>\$ 2,767</u>	<u>\$ 3,593</u>	<u>\$ 826</u>
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(809,617)				(2,505)	
Investments at Fair Value			810,090				2,506	
Invested Securities Lending Collateral			42,919				133	
Accounts Payable			(25,876)				0	
Accrued Payroll			(41,839)				0	
Due to Other Funds			(44,106)				0	
Securities Lending Obligation			(42,919)				(133)	
Fund Balance - GAAP Basis			<u>\$ 1,049,976</u>				<u>\$ 3,594</u>	

The accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

OFFICE OF STATE TREASURER  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Budgetary Comparison Schedule in Required Supplementary Information (RSI) presents comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for the Treasurer's General Operations Fund and the Treasurer's Information Fund.

The Budgetary Comparison Schedule reports revenues and expenditures on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2011, has been presented at the bottom of the Budgetary Comparison Schedule.

The "original budget" expenditures and transfers represent the amounts originally appropriated for each fund. The "final budget" expenditures and transfers include increases and decreases to appropriations during the fiscal year.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.



## Supplementary Information

## Schedule 1

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 1,250,000	1,195,353	54,647	2,700,000	2,577,445	122,555
Refunds of excess interest from the linked deposit program	200	134	66	1,500	1,018	482
Total General Revenue Fund	1,250,200	1,195,487	54,713	2,701,500	2,578,463	123,037
TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,493,217	1,485,434	7,783	1,477,865	1,419,899	57,966
Expense and equipment	353,872	346,604	7,268	346,155	324,304	21,851
Unemployment benefits	8,503	8,501	2	10,185	10,183	2
Treasurer state owned building	207,165	207,110	55	214,836	214,836	0
Total Treasurer's General Operations Fund	2,062,757	2,047,649	15,108	2,049,041	1,969,222	79,819
TREASURER'S INFORMATION FUND						
Expense and equipment	8,000	1,201	6,799	8,000	956	7,044
Total Treasurer's Information Fund	8,000	1,201	6,799	8,000	956	7,044
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	23,078	23,064	14	22,978	22,978	0
Expense and equipment	224,900	69,221	155,679	225,000	103,203	121,797
Total Central Check Mailing Service Revolving Fund	247,978	92,285	155,693	247,978	126,181	121,797
SECOND INJURY FUND						
Personal service	0	0	0	41,789	41,789	0
Expense and equipment	0	0	0	3,280	3,280	0
Total Second Injury Fund	0	0	0	45,069	45,069	0
ABANDONED FUND ACCOUNT FUND						
Personal service	517,401	491,903	25,498	517,401	509,579	7,822
Expense and equipment	98,600	91,947	6,653	98,600	70,721	27,879
Advertising and auctions	912,902	899,843	13,059	800,000	787,116	12,884
Payment of claims for abandoned property	35,000,000	34,703,091	296,909	34,800,000	33,675,322	1,124,678
Unemployment benefits	6,081	6,080	1	0	0	0
Total Abandoned Fund Account Fund	36,534,984	36,192,864	342,120	36,216,001	35,042,738	1,173,263
Total All Funds	\$ 40,103,919	39,529,486	574,433	41,267,589	39,762,629	1,504,960

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2011	2010
Personal service	\$ 2,000,401	1,994,245
Travel	6,651	8,567
Expense and equipment	458,165	461,116
Communications expense	74,545	58,225
Professional services	947,188	855,170
Equipment repairs and maintenance	67,277	68,620
Equipment and software purchases	62,100	52,718
Abandoned fund claim payments	34,703,091	33,675,322
Replacement of outlawed checks	1,195,353	2,577,445
Unemployment benefits	14,581	10,183
Refunds of excess interest from the linked deposit program	134	1,018
Total Expenditures	\$ <u>39,529,486</u>	<u>39,762,629</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER  
STATEMENT OF CHANGES IN GENERAL CAPITAL ASSETS  
YEAR ENDED JUNE 30, 2011

	Furniture and Equipment	Software	Motor Vehicles	Total General Capital Assets
Balance, June 30, 2010	\$ 802,606	18,992	0	821,598
Additions	23,510	37,506	15,431	76,447
Dispositions	(397,468)	0	0	(397,468)
Balance, June 30, 2011	<u>\$ 428,648</u>	<u>56,498</u>	<u>15,431</u>	<u>500,577</u>

Fund of Acquisition	Balance June 30, 2011
General Revenue Fund	\$ 250,154
Treasurer's General Operations Fund	186,745
Central Check Mailing Service Revolving Fund	4,823
Second Injury Fund	2,093
Abandoned Fund Account Fund	55,063
Treasurer's Information Fund	1,699
Total All Funds	<u>\$ 500,577</u>

The accompanying Notes to the Supplementary Information are an integral part of this statement.

## Schedule 4

OFFICE OF STATE TREASURER  
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2011	2010	2009	2008	2007
<b>APPROPRIATED FUNDS</b>					
Demand Deposits:					
US Bank	\$ 19,576,124	36,059,240	25,073,436	3,254,861	1,260,314
Central Bank	78,591,491	51,456,960	62,513,574	2,906,607	(17,643,721)
Premier Bank	0	0	0	23,933	28,400
Commerce Bank	14,987,119	15,006,383	8,986,650	1,003,059	46,689
Bank of New York Midwest	50,045,196	50,190,689	463,418	35,371	63,555
UMB Bank	(25,491,067)	(132,951,485)	(98,153,059)	(104,051,423)	(157,866,914)
Collection bank accounts	2,709,858	1,832,381	2,910,932	3,200,125	5,100,011
Total Demand Deposits	140,418,721	21,594,168	1,794,951	(93,627,467)	(169,011,666)
Pooled Investments:					
Time deposits	652,429,893	589,443,027	619,916,057	794,573,654	725,919,659
U.S. government securities	2,224,602,562	2,473,096,949	2,138,596,968	3,060,593,602	1,881,814,564
Commercial paper and banker acceptances	61,693,783	0	183,069,065	255,421,715	1,083,140,450
Repurchase agreements	1,213,394,000	704,639,000	344,236,000	336,856,001	142,474,000
Total Pooled Investments	4,152,120,238	3,767,178,976	3,285,818,090	4,447,444,972	3,833,348,673
Total Demand Deposits and Pooled Investments	4,292,538,959	3,788,773,144	3,287,613,041	4,353,817,505	3,664,337,007
Special Fund Dedicated Investments:					
U.S. government securities	39,282,060	35,817,480	34,239,743	31,847,311	31,849,243
Donated corporate stock	5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments	39,287,190	35,822,610	34,244,873	31,852,441	31,854,373
Total Appropriated Funds	4,331,826,149	3,824,595,754	3,321,857,914	4,385,669,946	3,696,191,380
<b>NONAPPROPRIATED FUNDS</b>					
Demand deposits	10,926,394	12,584,187	13,198,903	13,422,723	20,328
Repurchase agreements	0	1,000,000	1,280,000	26,585,259	21,996,084
US government securities	0	0	0	0	4,910,938
Commercial paper and banker acceptances	999,988	0	0	0	24,977,950
Time deposits	0	0	1,000,000	2,500,000	50,000,000
Total Nonappropriated Funds	11,926,382	13,584,187	15,478,903	42,507,982	101,905,300
Total Cash and Investments	\$ 4,343,752,531	3,838,179,941	3,337,336,817	4,428,177,928	3,798,096,680

The accompanying Notes to the Supplementary Information are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER

COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS

		Year Ended June 30,				
		2011	2010	2009	2008	2007
INTEREST RECEIPTS						
General and special funds	\$	31,748,010	39,599,319	97,518,011	178,680,683	146,727,651
Debt retirement funds		2,906,855	6,742,590	16,181,881	22,937,142	15,978,846
Total Appropriated Funds		34,654,865	46,341,909	113,699,892	201,617,825	162,706,497
Trust funds		3,792	3,730	166,375	2,678,192	4,025,495
Total Interest Receipts	\$	34,658,657	46,345,639	113,866,267	204,296,017	166,731,992

The accompanying Notes to the Supplementary Information are an integral part of this statement.

## Notes to the Supplementary Information

OFFICE OF STATE TREASURER  
NOTES TO THE SUPPLEMENTARY INFORMATION

1. General Capital Assets

Capital assets, which include equipment and software, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement.

The capitalization threshold for all equipment is \$1,000 and software is \$5,000.

Equipment and software are depreciated/amortized using the straight-line method of depreciation/amortization over a useful life of 5 years for equipment and 3 to 5 years for software. Accumulated depreciation/amortization on general capital assets at June 30, 2011, was \$395,756.

2. Basis of Presentation

The amounts presented in Schedules 4 and 5 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

3. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than 5 years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in bankers acceptances issued by domestic commercial banks possessing the highest rating issued by at least 2 nationally recognized statistical rating organizations and in commercial paper, issued by domestic corporations, which has received the highest rating issued by at least 2 nationally recognized statistical rating organizations. Investments in bankers acceptances and commercial paper shall mature and become payable not more than 180 days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy which shall



include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

### Deposits

The State Treasurer maintains approximately 207 bank accounts throughout the state. These accounts include collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2011, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

### Investments

The State Treasurer's investments at June 30, 2011, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

	Reported Amount	Fair Value
Time deposits	\$ 652,429,893	652,429,893
U.S. government securities	2,224,602,562	2,226,235,532
Commercial paper	62,693,771	62,683,150
Repurchase agreements	1,213,394,000	1,213,394,000
Other investments	39,287,190	39,539,356
Total Investments	\$ 4,192,407,416	4,194,281,931

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in time deposits and repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

#### 4. Demand Deposit and Collection Accounts

The demand deposits with US Bank on Schedule 4 consist of two central demand accounts at June 30, 2011 and 2010, and one at June 30, 2009, 2008, and 2007. The demand deposits with Central Bank consist of 26 central demand accounts at June 30, 2011, 28 at June 30,

2010, 27 at June 30, 2009, 31 at June 30, 2008 and 2007. The demand deposits with Premier Bank consist of no central demand accounts at June 30, 2011, 2010, and 2009, and two at June 30, 2008 and 2007. The demand deposits with Commerce Bank consist of seven central demand accounts at June 30, 2011, 2010, and 2009, six at June 30, 2008, and five at June 30, 2007. The demand deposits with Bank of New York consist of two central demand accounts at June 30, 2011 and 2010, one at June 30, 2009 and 2008, and two at June 30, 2007. The demand deposits with UMB Bank consist of five central demand accounts at June 30, 2011, 2010, 2009, 2008, and 2007. Demand deposit bank balances were \$19,576,124, \$36,059,240, \$25,073,472, \$58,220, and \$17,418 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for US Bank; and \$102,649,356, \$9,661,807, \$101,388,206, \$2,638,669, and \$13,586,834 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for Central Bank; and \$0 at June 30, 2011, 2010, and 2009, and \$24,705 and \$29,362 at June 30, 2008 and 2007, respectively, for Premier Bank; and \$15,157,804, \$15,083,622, \$9,081,750, \$1,136,296, and \$163,448 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for Commerce Bank; and \$50,118,446, \$50,224,767, and \$0 at June 30, 2011, 2010, and 2009, and \$253 at June 30, 2008 and 2007, for Bank of New York; and \$53,005,800, \$55,312,039, \$46,778,874, \$103,883, and \$10,974 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively, for UMB Bank.

The collection bank accounts on Schedule 4 consist of three master concentration accounts and their related collection accounts. The General Concentration, Conservation Concentration, and Lottery Concentration Accounts were at Central Bank at June 30, 2011, 2010, 2009, 2008, and 2007. Collection account bank balances were \$12,160,071, \$1,990,604, \$2,976,740, \$3,219,655, and \$5,107,667 at June 30, 2011, 2010, 2009, 2008, and 2007, respectively.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. The negative balances at June 30 (Schedule 4) for the appropriated funds demand deposits represent the book balance net of amounts invested.

##### 5. Special Fund Dedicated Investments

The State Treasurer is assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 4 represent specific investments made or held by the State Treasurer on behalf of the Pansey Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansey Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are

made in accordance with the instructions of the State Public School Fund investment committee.

## STATISTICAL SECTION

## Organization and Statistical Information

## OFFICE OF STATE TREASURER ORGANIZATION AND STATISTICAL INFORMATION

The State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest-bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, in short-term U.S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services, 2) disbursements and records, 3) investments and deposit programs, and 4) unclaimed property.

The accounting and banking services area 1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, 3) controls receipt of state monies collected by state agencies and deposited in local banks throughout the state, 4) reconciles bank activity to receipt and disbursement activity reflected on the state books, 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

The disbursements and records area provides processing support to other departments of the State Treasurer's Office, as follows: 1) provides retrieval of state checks, and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Division is responsible for 1) ensuring unclaimed property is reported, 2) receiving and recording reports of unclaimed property, 3) depositing unclaimed funds to the Abandoned Fund Account Fund, 4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and 5) processing owner claims for abandoned funds or physical property.

Clint Zweifel became Missouri's forty-fifth State Treasurer when he took the oath of office on January 12, 2009. His term will expire in January 2013.

As of June 30, 2011, the office had 44 full-time positions and 2 part-time positions to assist in the accomplishment of its mission.



# Thomas A. Schweich

Missouri State Auditor

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## Schuyler County



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February 2012  
Report No. 2012-09

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of Schuyler County

Payroll Controls and Procedures	As noted in our prior audit report, salaried non-exempt employees do not prepare timesheets, and the County Clerk's office is not notified of actual time worked or leave taken for these employees. The County Clerk does not keep centralized records of employee leave or compensatory time balances, which would help demonstrate compliance with the Fair Labor Standards Act (FLSA) of 1938. The Sheriff's time and leave policies may not comply with the FLSA, as deputies might be entitled to overtime or compensatory time.
Disbursements	Under the current procedures, the Sheriff and one deputy could receive duplicate mileage reimbursement payments. The Sheriff and one deputy use their personal vehicles and are reimbursed each month for mileage, but they are separately reimbursed for mileage incurred to transport prisoners to the Missouri Department of Corrections and to serve court documents. Current procedures do not separately document this mileage, and duplicate mileage payments could occur. As noted in our prior audit report, the County Commission does not require officeholders or supervisors to review invoices or document receipt of goods or services prior to payment.
Road and Bridge	The Road and Bridge Department does not maintain mileage and fuel use logs, and fuel use is not reviewed or reconciled to fuel purchases, which could allow theft or misuse of fuel to go undetected. As noted in our prior audit report, the county needs to improve its procedures for the sale of rock and culverts. Currently, the county has little assurance all materials picked up from the Road and Bridge Department were paid in full or will be billed, which could result in lost revenues.
Capital Assets	As noted in our prior audit report, the county does not regularly update its capital asset records for property purchases and dispositions throughout the year. The county does not complete annual physical inventories or affix asset tags. These steps would help the county comply with state law, which requires counties to account for personal property costing \$1,000 or more.
Sheriff's Controls and Procedures	As noted in our prior audit report, the Sheriff's office does not adequately segregate accounting duties, and the Sheriff performs no supervisory review of accounting records. Receipting and depositing is in need of improvement, as some receipts were not recorded immediately and receipt slips were not issued for some monies received. Recording receipts on a cash control ledger would provide a means for reconciling receipts to deposits and transmittals. At the time of our audit, a bank reconciliation had not been conducted in over 2 years, and a checkbook register balance had not been maintained for months. The office does not prepare a monthly list of liabilities, does not reconcile liabilities to the bank account balance, and could not identify \$874 held in the bank account. The Sheriff does not always transmit fees to the County Treasurer on a timely basis and does not



request or receive receipt slips when bond monies are transmitted directly to the Circuit Clerk. The office does not adequately track or pursue collection of all board of prisoner costs and civil process fees, resulting in lost revenues. The office lacks adequate controls over seized property. All officers have access to the seized property room, there are no procedures to track who enters the room, and no inventory records were maintained until a log of firearms only was prepared in 2011.

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**Prosecuting Attorney's  
Controls and Procedures**

Accounting duties are not adequately segregated, and adequate supervisory reviews are not performed and documented. The Prosecuting Attorney's office lacks an adequate system for accounting for the receipt and disposition of bad check complaints. Complaint forms are not numbered, separate case files are not prepared for each filing, the same sequence of prenumbered receipt slips is used when a complaint form is received and when payment is received, and monthly transaction ledgers do not allow for adequate tracking when a complaint and the related payment are received in two different months. The office does not always transmit bad check restitution payments to merchants in a timely manner and does not document when merchants are notified to pick up the funds.

In the areas audited, the overall performance of this entity was **Fair**.\*

An additional report, No. 2011-112, *Schuyler County, County Collector and Property Tax System*, was issued in December 2011, which reported missing property tax monies of at least \$568,974.

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**American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)**

Schuyler County received a \$62,145 Homelessness Prevention and Rapid Re-housing Program grant. The county spent \$15,261 in 2010 to provide homelessness prevention assistance and rapid re-housing assistance.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Schuyler County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Schuyler County

We have audited certain operations of Schuyler County in fulfillment of our duties under Section 29.230, RSMo. In addition, Nichols, Stopp, & VanHoy, LLC, Certified Public Accountants, was engaged to audit the financial statements of Schuyler County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Schuyler County.

An additional report, No. 2011-112, *Schuyler County, County Collector and Property Tax System*, was issued in December 2011.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Heather R. Stiles, MBA, CPA
Audit Staff:	Janielle Robinett
	Angela M. McFadden

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# Schuyler County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Payroll Controls and Procedures**

Various payroll controls and timekeeping procedures need improvement. During the 2 years ended December 31, 2010, the county incurred approximately \$1.1 million in payroll costs.

##### **1.1 Timesheets and leave records**

As similarly noted in our prior report, salaried county employees who are not exempt from overtime requirements of the Fair Labor Standards Act (FLSA) of 1938 do not prepare timesheets. In addition, the County Clerk's office is not notified of actual time worked or leave taken for these individuals. Hourly-paid employees prepare timesheets which are filed with the County Clerk's office.

As a result, except for hourly-paid road and bridge employees, the County Clerk's office does not keep centralized records of employee leave or compensatory time balances. The County Clerk indicated each officeholder is responsible for maintaining these records for employees of their office; however, our review noted the other officeholders do not maintain leave records for their employees.

Detailed timesheets and centralized leave records are necessary to document hours actually worked; provide information necessary to monitor overtime worked and leave and compensatory time use and balances; and are essential in demonstrating compliance with county policy and the FLSA.

##### **1.2 Sheriff employees**

The Sheriff's time and leave policies may not comply with the FLSA. While seven dispatchers are paid hourly and prepare timesheets (and are paid overtime for more than 40 hours per week), the Sheriff does not require the two deputies to prepare timesheets or otherwise report total hours worked. The deputies are salaried and, according to Sheriff's office personnel, routinely work more than 40 hours per week or more than 171 hours during a 28-day period; however, the deputies are not paid overtime and do not earn compensatory time.

While the FLSA exempts law enforcement agencies from overtime requirements if there are less than five law enforcement employees during a work week, it appears the dispatchers may qualify as law enforcement employees because they serve as jailers when the Sheriff or deputies are not at the jail. According to 29 CFR § 553.211(f), security personnel in correctional institutions should be included when calculating the number of employees for exemption purposes. The FLSA requires overtime for employees engaged in law enforcement activities be computed based on 171 hours in a 28-day work period. As a result, the Sheriff's policies may not comply with the FLSA and the county could be liable for overtime incurred by the Sheriff's deputies.



Schuyler County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The County Commission:

- 1.1 Require all county employees to prepare timesheets. These timesheets should be signed by the employee, approved by the appropriate supervisor, and filed with the County Clerk. In addition, centralized leave records should be maintained for all county employees.
- 1.2 And the Sheriff review the Sheriff's time and leave policies to ensure compliance with the FLSA.

## Auditee's Response

*The County Commission provided the following written response:*

- 1.1 *We agree and will implement this recommendation.*
- 1.2 *We will review this issue and consider requesting a legal opinion.*

*The Sheriff provided the following response:*

- 1.2 *I will review this issue with the County Commission.*

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## 2. Disbursements

Procedures related to some county disbursements are in need of improvement.

### 2.1 Mileage expenses

Adequate vehicle mileage records are not maintained, and as a result, duplicate payments may be made to the Sheriff and a Sheriff's deputy. The Sheriff and one of the two deputies use their personal vehicles for official duties (the other deputy uses a county-owned vehicle), and are each reimbursed mileage by the county for a monthly maximum of 2,000 miles (currently \$1,100). In addition to the monthly maximum amount, the Sheriff and deputy are reimbursed by the county for mileage incurred for the transportation of prisoners to Missouri Department of Correction facilities (DOC) and for civil process mileage incurred when serving court documents.

Daily, a log documenting beginning and ending odometer readings, total miles driven, and a general description of the purpose for mileage is prepared by the Sheriff and deputy. Our review noted the previous day's ending odometer reading is used as the current day's beginning odometer reading, and all mileage incurred on the personal vehicles is reported as business mileage on these logs. The Sheriff and deputy indicated the personal vehicles are also used for prisoner transportation and civil process, and mileage for these activities is included in the total mileage on the daily logs.



## Schuyler County Management Advisory Report - State Auditor's Findings

Each month, a list of the mileage reported on the daily logs is prepared and totaled, and used as documentation to reimburse the Sheriff and deputy for mileage incurred on their personal vehicles (up to the \$1,100 monthly maximum). Because all mileage reported on the daily logs is included on the monthly summary lists, and mileage incurred for prisoner transportation and civil process is not separately identified and removed from the monthly lists, the county may be reimbursing these individuals twice for the same mileage. Because the Sheriff and deputy normally incur more mileage than the \$1,100 monthly maximum, actual duplicate mileage payments appear to be limited; however, the county's current policies and procedures do not prevent duplicate mileage payments from occurring.

Without mileage logs which separately document prisoner transportation and civil process mileage, there is little assurance duplicate mileage payments will be detected.

### 2.2 Receipt of goods

As similarly noted in our prior report, the County Commission does not require other officeholders or supervisors to review applicable invoices or document receipt of goods or services prior to payment. Proper reviews of bills by officials or employees most knowledgeable of the transactions, comparison of receipts or records of individual transactions to overall month-end bills, and verification of receipt are necessary to ensure the county is paying for legitimate goods or services.

## Recommendations

The County Commission:

- 2.1 Work with the Sheriff to ensure mileage records are maintained to prevent duplicate mileage payments for prisoner transportation and civil process.
- 2.2 Ensure receipt of goods or services is documented by the applicable officeholder or employee prior to approving payment.

## Auditee's Response

*The County Commission provided the following written response:*

- 2.1 *The Sheriff's office has already implemented procedures to separately identify mileage for prisoner transportation and civil process. Personal mileage is normally not incurred on the patrol vehicles and will be documented in the future.*
- 2.2 *We agree and will implement this recommendation.*

## 3. Road and Bridge

Our review noted concerns related to county road and bridge fuel use and materials sold.



Schuyler County  
Management Advisory Report - State Auditor's Findings

### 3.1 Fuel use

The county has not established effective monitoring procedures regarding fuel use for the Road and Bridge Department. Mileage and fuel use logs are not maintained for county vehicles and equipment, and fuel use is not reviewed or reconciled to fuel purchases. As a result, theft and misuse of fuel could go undetected. During the 2 years ended December 31, 2010, the county incurred road and bridge fuel costs of approximately \$110,500.

Maintenance and review of vehicle and equipment mileage and fuel use logs and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, to prevent paying vendors for improper billing amounts, and to decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details so the county can effectively monitor vehicle and equipment use and fuel costs.

### 3.2 Materials sold

As similarly noted in our prior report, the county needs to improve procedures for the sale of rock and culverts to the public and other governmental entities. Rock purchased by the public is put on county roads under a cost sharing program while culverts are usually purchased by contractors performing construction projects on private land in the county, or purchased by other governmental entities. Sales of rock and culverts totaled approximately \$50,000 during the 2 years ended December 31, 2010.

A bill of sale is not always prepared for each sale and a bill of sale/receipt is not required to pick up materials from the Road and Bridge Department. Entities may either make purchase arrangements at the courthouse prior to picking up the materials or may pick up the materials at the Road and Bridge Department and have the department contact the County Clerk regarding the sale. The County Clerk stated all sales of road and bridge materials are recorded in one receipt book in the County Clerk's office. However, because all entities are not required to make arrangements with the County Clerk's office and present a bill of sale, the county has little assurance all materials picked up from the Road and Bridge Department will be billed or were paid in full, which could result in lost revenues.

## Recommendations

The County Commission:

- 3.1 Require mileage and fuel use logs for all vehicles and equipment and review the logs for reasonableness. In addition, fuel use should be reconciled to fuel purchases, and any significant discrepancies should be investigated.
- 3.2 Develop formal policies and procedures over sales to the public. Materials should only be released after customers present proof of payment or a bill of sale approved by the County Clerk's office.





Schuyler County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The County Commission provided the following written response:*

- 3.1 *We have already improved the fuel logs at the bulk tanks and have implemented reconciliations of fuel use to fuel purchases. Individual mileage/use logs for each vehicle and piece of equipment do not appear practical. We believe we can adequately review usage of each item by reviewing the bulk fuel logs.*
- 3.2 *We will review this issue and implement procedures considered appropriate.*

## 4. Capital Assets

As similarly noted in our prior audit report, the county does not regularly update its capital asset records for property purchases and dispositions throughout the year. In addition, the county does not complete annual physical inventories or affix tags identifying property items as county property at the time of purchase.

The County Clerk is responsible for maintaining overall county property records, and each department is responsible for performing annual physical inventories and submitting property lists to the County Clerk. The County Clerk indicated the overall property records have not been updated since 2009. Physical inventory requests were submitted and property lists were prepared by all county offices in 2010, but the overall records have not been updated and no subsequent physical inventories have been performed.

Section 49.093, RSMo, requires counties to account for personal property costing \$1,000 or more, assigns responsibilities to each county department officer, and describes details to be provided in the inventory records. Adequate county property records and procedures are necessary to ensure effective internal controls, meet statutory requirements, and provide a basis for determining proper insurance coverage. These records should be updated for any property additions and approved dispositions as they occur. Physical inventories, proper tagging of county property items, and periodic comparisons of inventories to overall county property records are necessary to evaluate the accuracy of the records, and deter and detect theft.

## Recommendation

The County Commission and County Clerk work with other county officials to ensure complete and accurate inventory records are maintained and annual physical inventories are conducted, and implement procedures for tracking and tagging capital asset purchases throughout the year.

## Auditee's Response

*The County Commission and County Clerk provided the following written response:*

*This issue has not always been a high priority, but we will continue to work on implementing this recommendation.*



Schuyler County  
Management Advisory Report - State Auditor's Findings

## 5. Sheriff's Controls and Procedures

Significant weaknesses in accounting controls and procedures exist in the Sheriff's office. The Sheriff's office processed approximately \$21,365 and \$9,637 in civil fees, concealed weapon permits, bonds, summons fees, and other receipts for the years ended December 31, 2010 and 2009, respectively.

### 5.1 Segregation of duties

Accounting duties are not adequately segregated. The Sheriff's secretary is responsible for receiving, recording, and disbursing all monies; maintaining accounting records; writing and signing checks; preparing deposit slips; and month-end bank reconciliations. The Sheriff indicated he performs no supervisory reviews of accounting records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic independent or supervisory reviews of accounting records should be performed and documented by another employee or the Sheriff.

### 5.2 Receipting and depositing procedures

Receipting and depositing procedures in the Sheriff's office are in need of significant improvement.

- Some receipts were not recorded immediately upon receipt and receipt slips were not issued for some monies received. For example, a check for \$164 was received by the Sheriff's office in late February 2011; however, a receipt slip was not issued for the payment. We located the check in a file in May 2011. This payment was brought to the attention of the Sheriff's previous secretary to be receipted and deposited; however, the check was not deposited until November 9, 2011.
- Receipts are not recorded on a cash control ledger or reconciled to amounts deposited or transmitted to other agencies (bonds transmitted to the Circuit Clerk). Recording all receipts on a cash control ledger would provide a summary record of receipts and a means to reconcile receipts to deposits and transmittals, including the composition of receipts (cash, check, money order).

Failure to implement adequate receipting and depositing procedures increases the risk that loss or misuse of monies received will go undetected. To adequately safeguard receipts and reduce this risk, procedures should ensure all receipts are recorded immediately and receipts are adequately reconciled to deposits and transmittals.

### 5.3 Bank reconciliations and liabilities

Reconciliation procedures for the Sheriff's bank account need significant improvement.



## Schuyler County Management Advisory Report - State Auditor's Findings

- The Sheriff's office does not prepare bank reconciliations on a monthly basis. As of April 30, 2011, the Sheriff's office had not prepared a formal bank reconciliation since February 2009. In addition, a book balance in the checkbook register had not been maintained since December 31, 2010. Upon our request, the Sheriff's secretary prepared bank reconciliations through the month of August 2011.
- The Sheriff's office does not prepare monthly lists of liabilities, and therefore, liabilities are not reconciled to the balance in the Sheriff's bank account. According to the Sheriff's secretary, all fees collected during the month are distributed each month and the bank account should show a zero balance at the end of each month; however, the reconciled bank balance at August 31, 2011, of \$1,112, exceeded identified liabilities by \$874.

The preparation of monthly bank reconciliations is necessary to ensure accounting records are in balance and to identify errors in a timely manner. Additionally, liabilities should be identified monthly and reconciled to cash balances to ensure sufficient cash is available for the payment of all amounts due. Prompt follow up on discrepancies is necessary to identify and resolve errors and ensure monies are disbursed timely.

### 5.4 Monthly transmittals

The Sheriff does not always transmit fees to the County Treasurer on a timely basis. For example, fees collected for processing concealed carry weapon permit applications between December 29, 2009, and April 8, 2010, totaling \$810, were not disbursed to the County Treasurer until April 9, 2010. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the County Treasurer.

### 5.5 Bond monies

Some bond monies collected are transmitted directly to the Circuit Clerk; however, the Sheriff's office does not request or receive receipt slips from the Circuit Clerk for these transmittals.

To adequately safeguard against theft or misuse of funds and to provide assurance that all transmittals are appropriate, receipt slips should be obtained for bond monies transmitted to the Circuit Clerk.

### 5.6 Accrued costs due

The Sheriff's office does not adequately pursue collection of or track amounts due to the office for board bills or civil process fees. The Sheriff's office provides inmate information to the courts for board bills to be collected on applicable court cases; however, the Sheriff's office does not bill for boarding prisoners for other entities or ensure all other applicable board of prisoner costs are billed. In addition, the Sheriff's office bills civil process fees (for service subpoenas or other papers), but does not adequately follow-up to ensure all payments are received. The Sheriff's secretary



## Schuyler County Management Advisory Report - State Auditor's Findings

indicated the office does not maintain a list of amounts billed, collected, or owed, or otherwise track billed amounts to ensure payment is received.

Adequate procedures to bill and collect all board of prisoner costs and civil process fees reduces the risk of lost revenues.

### 5.7 Seized property

Adequate controls over seized property have not been established. All officers have access to the seized property room where items are stored, and there are no procedures in place to track who enters the room. In addition, the Sheriff's office did not maintain any inventory records until a log of firearms only was prepared in 2011.

Considering the often sensitive nature of seized property, the Sheriff should consider restricting access to the seized property room to reduce the risk of loss, misuse, or theft of the stored items. Inventory records of all seized property items, including information such as description, current location, case number, date of seizure, and disposition of such property, are necessary to ensure all items are accounted for properly.

### Similar conditions previously reported

Similar conditions to sections 5.1 through 5.3 were noted in our prior audit report.

### Recommendations

The Sheriff:

- 5.1 Adequately segregate accounting duties to the extent possible or ensure independent or supervisory reviews of accounting records are performed and documented.
- 5.2 Issue pre-numbered receipt slips for all monies received immediately upon receipt. Additionally, the Sheriff should ensure monies are recorded on a cash control ledger and reconciled to deposits and transmittals, including the composition of receipts to deposits.
- 5.3 Prepare formal bank reconciliations monthly and reconcile bank balances to monthly lists of liabilities ensuring any differences between accounting records and reconciliations are investigated and resolved. Additionally, after sufficient efforts are made to resolve discrepancies, any remaining unidentified monies should be disposed of in accordance with state law.
- 5.4 Transmit fees monthly to the County Treasurer.
- 5.5 Obtain receipts slips for bond monies transmitted to the Circuit Clerk.



Schuyler County  
Management Advisory Report - State Auditor's Findings

- 5.6 Bill all amounts owed to the Sheriff's office for board of prisoners and civil process fee, and implement procedures to track and pursue collection of amounts owed.
- 5.7 Establish procedures to limit access to the seized property room and maintain complete and accurate inventory records of all seized property items.

## Auditee's Response

*The Sheriff provided the following written response:*

*We have already implemented most of these recommendations. Regarding supervisory oversight, we will attempt to implement a procedure to review the accounting records as long as it doesn't interfere with our required law enforcement duties. Regarding the unidentified monies in the bank account, we will turn these monies over to the County Treasurer.*

## 6. Prosecuting Attorney's Controls and Procedures

Improvement is needed over various controls and procedures in the Prosecuting Attorney's office. The Prosecuting Attorney processed approximately \$9,500 and \$9,150 in bad check fees, restitution payments, and delinquent tax collections for the years ended December 31, 2010 and 2009, respectively. The Prosecuting Attorney only accepts receipts in the form of money orders which are transmitted to merchants, the County Treasurer, or other applicable individuals (no bank account is maintained).

### 6.1 Segregation of duties

Accounting duties are not adequately segregated, and adequate supervisory reviews of accounting records are not performed and documented. The Prosecuting Attorney's secretary is responsible for receiving, recording, and transmitting amounts collected. The Prosecuting Attorney indicated he performs no supervisory reviews of accounting records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of accounting records should be performed and documented by the Prosecuting Attorney.

### 6.2 Tracking procedures

The Prosecuting Attorney's office does not have an adequate system to account for the receipt and disposition of bad checks.

- Complaint forms prepared by merchants when bad checks are filed are not numbered, and separate case files are not prepared for each bad check filing. The lack of a numbering system and case files provides less assurance that restitution is collected for all bad check complaints or cases are filed with the court when restitution is not collected.



## Schuyler County Management Advisory Report - State Auditor's Findings

- The same sequence of prenumbered receipt slips is used when both a bad check complaint form is received and when payment is received. For example, a prenumbered receipt slip is issued to a merchant for a bad check complaint filed, prior to receiving any payment. Then if payment on the bad check is subsequently received, a separate receipt slip from the same prenumbered sequence is issued at that time. As a result, it is difficult to account for all monies received and to ensure all monies are properly transmitted.
- Monthly transaction ledgers do not allow for adequate tracking of the disposition of bad checks. Receipt of bad check complaints is recorded on the ledgers, and receipt of monies collected for bad check complaints is separately recorded on the ledgers. If the complaint and monies are received in the same month, the disposition of the bad check complaint can be readily determined. However, if monies are received in months subsequent to the filing of the complaint, the disposition of the complaint is difficult to determine.

Without an adequate system to track each bad check complaint from the date filed to final disposition, there is less assurance each bad check is accounted for properly and increased risk of loss, theft, or misuse. Such a system should include a sequential number assigned to each bad check complaint received or case file, which includes the merchant name, the issuer of the bad check, and the disposition of the bad check including the date restitution was received and disbursed to the merchant or the date the case was filed with the court. In addition, receipt slips or logs to record the initial receipt of bad check complaints should be maintained separately from receipt slips issued for monies received.

### 6.3 Disbursement of restitution

The Prosecuting Attorney's office does not always transmit bad check restitution payments to merchants in a timely manner. Restitution is received by money orders which are not deposited, and the Prosecuting Attorney's office has implemented a policy which requires the merchants to pick up the money orders in person. While the Prosecuting Attorney's office indicated merchants are notified by telephone to pick up restitution payments, the office does not document when the merchant is notified, and some restitution payments were held for several months. For example, monies received on June 3, 2009, were not transmitted to the merchant until about 5 months later on November 13, 2009.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, bad check restitution payments should be disbursed in a timely manner.



Schuyler County  
Management Advisory Report - State Auditor's Findings

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## Recommendations

The Prosecuting Attorney:

- 6.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 6.2 Develop procedures and records that provide sufficient information to track each bad check complaint from the date filed to the ultimate disposition.
- 6.3 Establish procedures to ensure bad check restitution payments are transmitted to merchants in a timely manner.

## Auditee's Response

*The Prosecuting Attorney provided the following written response:*

- 6.1 *Due to the limited staff available, segregation of duties in the office is not practical. New procedures have been put in place to allow me to effectively review and supervise the accounting records.*
- 6.2 *New tracking procedures have been established upon the recommendation of the State Auditor to permit effective tracking of bad check transactions.*
- 6.3 *New procedures have been established to assure that merchants are notified in a timely manner that their restitution has been received by our office.*

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# Schuyler County

## Organization and Statistical Information

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Schuyler County is a county-organized, third-class county. The county seat is Lancaster.

Schuyler County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 20 full-time employees and 3 part-time employees on December 31, 2010.

In addition, county operations include a Senior Citizens' Services Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
Robert G. Aldridge, Presiding Commissioner	\$	16,546
Jim Werner, Associate Commissioner		14,546
Donald Crabtree, Associate Commissioner		14,546
Judy Keim, Circuit Clerk and Ex Officio Recorder of Deeds (1)		
Bree Shaw, County Clerk		22,040
Brenda Swedberg, Prosecuting Attorney		28,120
Carl Gottman, Sheriff		27,360
Karmen Buckallew, County Treasurer		22,040
Douglas B. Norman, County Coroner		6,080
Ronald L. Morgan, Public Administrator		11,400
Kathy Roberts, County Collector (2), year ended February 28 (29),	25,013	
Gary Stump, County Assessor, year ended August 31,		22,040

(1) Compensation is paid by the state.

(2) Includes \$2,973 of commissions earned for collecting city property taxes.





Schuyler County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

- A Homelessness Prevention and Rapid Re-housing Program grant was awarded by the U.S. Department of Housing and Urban Development to the Missouri Department of Social Services and \$62,145 was passed through to Schuyler County. The county spent \$15,261 in 2010 on this program which provides homelessness prevention assistance to households that would otherwise become homeless and rapid re-housing assistance to persons who are homeless.



**Thomas A. Schweich**  
Missouri State Auditor

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# Monarch Fire Protection District



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**February 2012**  
**Report No. 2012-08**

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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Monarch Fire Protection District

### Retirement Incentive

It is the position of the State Auditor's office that some retirement incentives paid to employees as part of an early retirement package are a violation of the Missouri Constitution. In addition, as part of the retirement package, the district paid additional excessive health, vacation, and sick leave benefits. In an effort to reduce salaries and overtime expenses, due to the large amount of vacation earned and taken by senior employees, the Board approved a retirement incentive package, limited to the first seven employees to sign up. The Board gave additional compensation for years of service (\$2,000 per year of service for the first employee and \$1,500 per year of service for the next six employees), but the Missouri Constitution forbids granting any extra compensation to public employees for services already rendered. The additional health benefits of the incentive package could cost the district an extra \$280,000 over the next 5 years. Because the incentive package allows the seven employees to remain on the district payroll while using accumulated leave time, they continue to receive district benefits even though they have effectively retired.

### Expenditures

The district has not obtained proposals or written contracts for some legal services, making it difficult to ensure it is getting the best value and allowing the pension attorney to overcharge the district by approximately \$4,300. The district spent over \$212,000 on legal services during 2010.

The district spent approximately \$26,000 for a service awards banquet in September 2011, which may not have been an appropriate use of district funds.

The district needs to improve its expenditure review and approval procedures. The district made a duplicate payment of \$2,130 to the pension attorney and paid the wrong vendor \$1,200 for cleaning supplies. In addition, the district's lobbyist is not required to submit written reports summarizing the lobbying efforts, and neither the lobbyist nor the pension attorney regularly provide invoices with sufficient detail of the hours worked or services provided.

### Meeting Minutes and Public Records

The district did not document the reasons or the votes regarding meeting closure for 40 meetings between January 2010 and September 2011, as required by state law. On some occasions, the Board went directly into closed session without starting in open session, and on others there was no indication in the open meeting minutes that a closed meeting was held.

The closed meeting minutes did not sufficiently demonstrate issues discussed were allowable under the Sunshine Law. Some of the questionable topics include: how to respond to inquiries regarding the state audit, advertisement of the fire chief position, discussion of hiring a search firm for the fire chief position, the hiring process for firefighters, and an ethics resolution.

The district does not maintain a log of public Sunshine requests, making it difficult to document compliance with the Sunshine Law.

Salary Survey	The district did not include 18 senior and administrative positions in the 2008 salary survey of firefighters and emergency medical technicians, and it is unclear whether the salaries of these positions are in line with similar districts.
Bank Reconciliations	The Controller did not always perform bank reconciliations promptly and did not adequately investigate and resolve differences discovered. A \$266,000 discrepancy was identified but not investigated until audit staff made inquiries. Although most of the discrepancy was attributed to a system conversion, a \$2,200 variance remained unexplained.
District Procedures	The district needs to improve procedures and records for district property to protect assets from theft or misuse. The district does not regularly conduct an annual physical inventory of property and does not require written Board authorization for asset disposal. In addition, the district lacks effective monitoring procedures for fuel and vehicle use.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Monarch Fire Protection District did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Monarch Fire Protection District

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Board of Directors  
Monarch Fire Protection District  
St. Louis, Missouri

The State Auditor was requested by the Governor, under Section 26.060, RSMo, to audit the Monarch Fire Protection District. We have audited certain operations of the district in fulfillment of our duties. The district engaged Botz, Deal and Company, P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2010. To minimize duplication of effort, we reviewed the CPA firm's report. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Monarch Fire Protection District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch, Jr., CIA
Audit Staff:	Jay Dowell, MBA, CPA

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# Monarch Fire Protection District

## Management Advisory Report

### State Auditor's Findings

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#### **1. Retirement Incentive**

The State Auditor's office (SAO) has concerns regarding the retirement incentive package approved by the Board. The incentive package provided for additional compensation to employees totaling \$231,000 during the 2 years ended December 31, 2011 and 2010. It is the position of the SAO that this is in violation of the Missouri Constitution. In addition, the district paid excessive additional health, vacation, and sick leave benefits to these employees.

District personnel indicated the retirement incentive was an effort to reduce salary and overtime expenses (due to the large amount of vacation earned and taken by the senior employees). The incentive package provided that the first employee to sign up would receive \$2,000 for each year of service and the next six employees to sign up would receive \$1,500 for each year of service. The package was limited to the first seven employees who signed up, with priority given to those with seniority, if multiple people signed up for the package on the same day.

The retirement incentive package also created additional health insurance benefits for these seven employees. Normally, a retiree of the district uses funds from their Voluntary Employee Beneficiary Association (VEBA) account to assist in paying health insurance. For the seven employees in the incentive package, the district will pay up to \$2,000 per quarter for their health insurance for a maximum of 5 years or until they become Medicare eligible. If the employee's health insurance cost is less than \$2,000 per quarter, the district only reimburses actual costs. This additional benefit has the potential of costing the district \$280,000 over 5 years.

The district's regular policy requires employees to use vacation leave before they retire and sick leave is paid based on a percentage of the employee's normal pay rate dependent on when the sick leave was earned. Under the retirement incentive, all seven employees will be paid their vacation and sick leave in full. The employees continue to receive normal paychecks until they use their accumulated leave time, and since the employees are still on the district payroll, they also continue to receive district benefits such as health insurance. Our analysis of one employee participating in the retirement incentive indicated he was paid approximately \$34,000 for his leave time. Under normal retirement, he would have been paid approximately \$20,000 for this same leave time.

Article III, Section 39, Missouri Constitution, prohibits the granting of any extra compensation, fee, or allowance to employees for services already rendered. Retiree medical benefit, vacation, and sick leave payments are allowable; however, the additional benefits offered to these employees appear excessive and a questionable use of taxpayer monies. In addition, it is not clear all district employees had a fair opportunity to participate in the program since it was limited to the first seven to sign up.





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Monarch Fire Protection District  
Management Advisory Report - State Auditor's Findings

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## Recommendation

The Monarch Fire Protection Board ensure all retiree benefit expenditures are necessary and beneficial to district residents and comply with the constitution.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The District issued the retirement incentive package in coordination with the Districts Labor Law Attorney to reduce long term labor cost. The program was approved by the Board of Directors based upon advice of counsel.*

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## 2. Expenditures

The district has not obtained proposals or contracts for some legal services. The district held an awards banquet which was an unnecessary use of district funds. Finally, improvements are needed in the review of expenditures.

### 2.1 Legal services

The district has not obtained proposals or written contracts for some legal services. The district hires various law firms based on the type of specialized services needed. The Board recently obtained proposals for general counsel; however, the district has not solicited proposals for pension or personnel legal services and has used the same individuals for several years. During the year ended December 31, 2010, the district paid its general counsel approximately \$70,000, pension attorney approximately \$12,000, personnel/litigation attorney approximately \$112,000, and an attorney hired to conduct a special investigation approximately \$16,000 (total legal \$212,000).

In addition, there are no written agreements with the general counsel or the pension attorney specifying the terms of service and related compensation. District personnel indicated the general counsel's fee of \$75 per hour has not changed since he started over 20 year ago. As a result of not having a written agreement documenting the hourly rates of the attorneys, it appears the pension attorney may have overcharged the district by approximately \$4,300. Minutes of a pension board meeting showed discussion on the possible overpayment and district personnel indicated the pension attorney agreed there was a mistake in the billings. Since the district does not have a written fee schedule it is unable to compare attorney invoices to an approved hourly fee.

While legal services may not be subject to standard bidding procedures, the district should solicit proposals for these services to the extent practicable. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the district from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the district to make a better-informed



## Monarch Fire Protection District Management Advisory Report - State Auditor's Findings

decision to ensure necessary services are obtained from the best-qualified vendor at the lowest and best cost.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

### 2.2 Award banquet

The district spent approximately \$26,000 for a service awards banquet in September 2011, which is a questionable use of district funds. The banquet was held at a local hotel and awards were given out to district employees meeting years of service milestones such as 5, 10, 15, 20, 30, and 35 years. Each of these levels earned a different award consisting of bronze bells, rings, watches, etc. The awards were given out to 63 employees at a total cost of approximately \$16,000. In addition, the district paid approximately \$5,000 for the conference room and dinner, \$2,000 for the guest speaker, \$2,000 for attendance prizes and miscellaneous items, and \$500 for a photographer.

District residents have placed a fiduciary trust in the district to spend district funds in a necessary manner. While an appreciation dinner might be deemed appropriate, such costs should be kept to a minimum. Further, the Board should closely scrutinize award and banquet costs to ensure district funds are spent only on items which are necessary and beneficial to the district.

### 2.3 Expenditure review procedures

The district needs to improve expenditure review and approval procedures to ensure all expenditures are proper and adequately documented. Our review noted the following concerns with specific district expenditures:

- The district made a duplicate payment of \$2,130 to the pension attorney. According to district officials, the original bill was properly paid; however, the district received a second notice on the same invoice and paid it a second time. The district was not aware of the duplicate payment until we brought it to management's attention.
- The district paid the wrong vendor approximately \$1,200 for cleaning supplies. The cleaning supply invoice was accidentally attached to a purchase order for a district credit card. The district received a second notice from the correct vendor and paid the second invoice. The fire house supply manager noticed the second invoice from the vendor and brought it to the attention of administration. The district has received a credit to its account.
- The district does not ensure adequate documentation is obtained to support some expenditures. As a result, it is uncertain if the district



## Monarch Fire Protection District Management Advisory Report - State Auditor's Findings

received adequate services for the amounts paid to the vendors. For example, the district contracted with a lobbyist who sent invoices to the district on a monthly basis. The contract with the lobbyist did not require specific written reports be submitted to the district, and the invoices did not provide any detail regarding the work performed such as the number of hours worked or a description of the services provided. During the year ended December 31, 2010, the district paid the lobbyist \$12,500. In addition, some pension attorney invoices did not contain a detailed description of hours worked or services provided.

Adequate review and approval of all district expenditures is necessary to ensure expenditures are reasonable and comply with state law, and to prevent overpayments or duplicate payments. All expenditures should be supported by a vendor invoice or other related supporting documentation to ensure the obligation was actually incurred. In addition, to ensure the validity of payments for certain services received, the district should require invoices be sufficiently detailed to include services rendered, including the number of hours worked by day, the work performed, and the hourly rate charged.

## Recommendations

The Monarch Fire Protection Board:

- 2.1 Periodically solicit proposals for legal services and maintain all related documentation, including reasons for the district's decisions. In addition, the Board should enter into written agreements for all services.
- 2.2 Ensure all expenditures are necessary and beneficial to district residents.
- 2.3 Improve the payment and approval process to avoid duplicate payments. In addition, the Board should require invoices be sufficiently detailed to show services received.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 2.1 *The District is reviewing all legal services and is in the process of ensuring that these service providers have contracts on file. The Monarch Fire Protection District is implementing this recommendation.*
- 2.2 *The District is dedicated to being a good steward and will review the dynamics of the awards banquet. The Monarch Fire Protection District will review the years of service awards spending pattern and banquet expense and is dedicated to cutting costs.*



Monarch Fire Protection District  
Management Advisory Report - State Auditor's Findings

*The District issues awards on a bi-annual basis. Based upon the demographics of the District, the District had the following awards at the following cost.*

<i>Years of Service</i>	<i>Number of Awards</i>	<i>Cost Per Award *</i>	<i>Total Cost</i>
<i>5 Years</i>	<i>18</i>	<i>\$100.00</i>	<i>\$1,800.00</i>
<i>10 Years</i>	<i>10</i>	<i>\$100.00</i>	<i>\$1,000.00</i>
<i>15 Years</i>	<i>9</i>	<i>\$200.00</i>	<i>\$1,800.00</i>
<i>20 Years</i>	<i>13</i>	<i>\$300.00</i>	<i>\$3,900.00</i>
<i>30 Years</i>	<i>7</i>	<i>\$850.00</i>	<i>\$5,950.00</i>
<i>35 Years</i>	<i>6</i>	<i>\$650.00</i>	<i>\$3,900.00</i>

*\*These are normal cost of the awards, the District worked with the vendors to reduce the price, given the volume of awards needing to be ordered.*

*The other vendors worked directly with the Monarch Fire Protection District to ensure that we would receive the best value. They provided their services at a reduced cost. The Monarch Fire Protection District received private donations, to off-set the cost of the speaker and several meals which were served. The Monarch Fire Protection District took great strides to ensure that we could provide our men and women with an event that spoke to our great appreciation for their service and remain good financial stewards. Future Awards Banquets will be planned to ensure the appropriate balance between recognition of employees and the districts cost constraints.*

- 2.3 *The District is constantly striving to review and improve our policies and procedures. The Missouri State Auditor reviewed the Monarch Fire Protection Districts 2010 policy and procedures as they pertain to the Accounts Payable Department. The Monarch Fire Protection District took measures to correct several issues within the accounts payable department, the duplicate payment issue was addressed early 2011. These changes have included, but are not limited to, staffing change, a 3-way match system and the implementation of approval levels.*

### **3. Meeting Minutes and Public Records**

The district has not properly documented reasons or votes regarding closed meetings. Meeting minutes did not clearly document how some issues discussed in closed session were allowable. Finally, the district does not have a log of public requests for documents.



## Monarch Fire Protection District Management Advisory Report - State Auditor's Findings

### 3.1 Open minutes

From January 2010, through September 2011, the district did not document the reasons or the votes regarding meeting closure for 40 closed meetings as required by state law. The Board either went directly into closed meetings without first starting in open session and holding a vote to close the meeting or there was no indication in the open meeting minutes that a closed meeting was held. In addition, the minutes of nine open meetings documented a closed meeting, but did not document the specific reasons for closing the meeting. For example, minutes for these open session meetings typically stated the Board would enter closed session to discuss legal, real estate, and personnel; however, while in closed session, the Board only discussed one or two of these topics and not all three as the open meeting minutes indicate. As a result of these issues, the public may not be aware of the discussions and votes held in the closed meetings.

Chapter 610, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting, including reference to a specific section of the law, shall be voted on at an open session. These reasons and the corresponding roll call vote to close the meetings should be documented in the open meeting minutes to demonstrate compliance with statutory provisions.

### 3.2 Closed minutes

The closed meeting minutes did not sufficiently demonstrate issues discussed were allowable under Chapter 610, RSMo, the Sunshine Law. As a result, there could be confusion regarding Board intentions and the ability to show compliance with legal provisions. Some of the questionable items discussed in closed meetings include how to respond to inquiries regarding the state audit, advertisement of the fire chief position, discussion of hiring a search firm for the fire chief position, the hiring process for firefighters, and an ethics resolution.

The Sunshine Law, Chapter 610, RSMo, lists the topics which may be discussed in closed session.

### 3.3 Sunshine request log

The district does not maintain a log of public requests. As a result, the district cannot ensure all requests are handled in compliance with the Sunshine Law. A file is kept of sunshine requests, but it was not well organized and did not always document the outcome of requests. As a result, we were unable to verify requests were handled in compliance with the Sunshine Law.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed



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Monarch Fire Protection District  
Management Advisory Report - State Auditor's Findings

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explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection.

To ensure compliance with state law, the district should document information in a log to determine if requests are completed timely and adequately. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.

## Recommendations

The Monarch Fire Protection Board:

- 3.1 Ensure a roll call vote to close a meeting and reasons for going into closed meetings are documented in open meeting minutes.
- 3.2 Ensure reasons for closing a meeting are documented and only allowable topics are discussed.
- 3.3 Maintain a public request log to help ensure the district is complying with state law.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 3.1&
- 3.2 *The District has made every effort to ensure full compliance with applicable state statute. These recommendations have been implemented.*
- 3.3 *The District does maintain the request and a copy of the records issued as they pertain to the Sunshine Law. The Monarch Fire Protection District will insert a log sheet in order to adhere to Section 610.023 RSMo. This recommendation has been implemented.*

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## 4. Salary Survey

The district has not performed a salary survey for some district positions. As a result, it is unclear if salaries of higher level district employees are in line with the same positions in similar districts. The district performed a salary survey covering firefighters and emergency medical technicians as part of union negotiations in early 2008, but there are 18 senior and administrative positions which were not included in the survey, including the positions of Fire Chief, Fire Marshall, and Controller. District personnel could not demonstrate that the salaries of these employees were comparable to other fire districts. For the year ended December 31, 2010, the district paid approximately \$10.7 million in payroll.



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Monarch Fire Protection District  
Management Advisory Report - State Auditor's Findings

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A salary survey should be conducted of other districts which are similar in size and organization. The results would reflect the salaries paid in the region and allow the district to make a more informed decision regarding salary levels of employees.

## Recommendation

The Monarch Fire Protection Board require a salary survey of districts similar in size be conducted and additional analysis of salaries be performed.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The District has worked diligently to ensure the employees are compensated accordingly and part of that effort includes a salary survey. We will broaden the scope of the salary survey and include all employees as we assess our future needs. This recommendation will be implemented.*

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## 5. Bank Reconciliations

The Controller did not adequately investigate and resolve unidentified differences noted on bank reconciliations. In addition, some bank reconciliations were not performed in a timely manner. As a result, the district cannot ensure all transactions are properly recorded and errors are identified in a timely manner.

- At January 31, 2011, the reconciled bank balance for the General Account exceeded the book balance by approximately \$266,000. After our inquiries in July 2011, 6 months after the differences were initially noted, the Controller was able to determine mistakes were made during the conversion to a new accounting system in January 2011. The Controller mistakenly entered some of the December 2010 outstanding checks as new checks in the new system. This had the effect of lowering the book balance of the account. This error accounted for most of the difference noted; however, there was still a variance of approximately \$2,200 which could not be explained.
- At April 30, 2011, the payroll outstanding check list was approximately \$750 greater than the amount posted to the General Account bank reconciliation. The Controller did not have an explanation for the difference.
- At May 31, 2011, the reconciled book balance for the Ambulance Account exceeded the bank balance by approximately \$300. The Controller did not have an explanation for the difference.
- As of August 2011, the most recently completed bank reconciliation for the General Account was April 2011, and the Dispatch and Ambulance Accounts had not been reconciled since May 2011.



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Monarch Fire Protection District  
Management Advisory Report - State Auditor's Findings

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Timely monthly bank reconciliations are necessary to ensure all accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected on a timely basis. Complete documentation of the reconciliations should be maintained to support corrections, and to facilitate independent reviews. Follow up on discrepancies noted by the bank reconciliations should be investigated on a timely basis.

## Recommendation

The Monarch Fire Protection Board ensure monthly bank reconciliations are performed timely and any differences are investigated.

## Auditee's Response

*The Board of Directors provided the following written response:*

*This recommendation has been implemented and the multiple bank accounts are being reconciled on a monthly basis and financial statements are being issued to Senior Staff and the Board of Directors on a quarterly basis. The Monarch Fire Protection District was in a time of transition when the Missouri State Auditor was on site performing their 2010 audit. The District was implementing new financial software and in the process of ensuring that the districts cash, revenues and expenditures were accounted for correctly. The \$266,000 was clearly identified, and clearly explained to the Missouri State Auditor. The Controller was working with the Districts auditors at Botz Deal & Company in conjunction with the IT staff that supports the new software in order to correct the pending issue. The Monarch Fire Protection District has fully implemented the new financial software.*

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## 6. District Procedures

The district needs to improve procedures and records for district property.

### 6.1 Capital Assets

Procedures and records to account for district property are not adequate. As a result, assets are more susceptible to theft or misuse. An annual physical inventory of property has not been performed in several years. We identified a computer on the list of assets which could not be located. In addition, written authorization is not obtained from the Board for the disposition of capital assets. District personnel indicated some items disposed are either given or thrown away.

Adequate capital asset procedures and records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting.

### 6.2 Fuel and mileage logs

The district has not established effective monitoring procedures regarding fuel and vehicle use. As a result, the district cannot ensure there is no misuse of fuel or vehicles. The district does not maintain logs for the bulk fuel tanks to ensure fuel is used only for district business and vehicle logs





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Monarch Fire Protection District  
Management Advisory Report - State Auditor's Findings

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are not complete to ensure vehicles are used only for district business. During the year ended December 31, 2010, the district incurred fuel costs of approximately \$59,000.

The district maintains bulk fuel tanks at district headquarters and at one fire house. Each location has an unleaded and diesel fuel tank. The district does not maintain logs of fuel pumped from the tanks. The district does maintain logs showing fuel pumped in each district vehicle, except for fire trucks and ambulances.

Some of the vehicle logs maintained did not contain information on the mileage of the vehicle. District personnel indicated no one periodically reviews the vehicle logs or calculates the miles per gallon for the vehicles to help provide assurance fuel use is for district business. In addition, the district purchases some fuel from gas stations using fuel cards. However, odometer readings are not recorded consistently on the vendor receipts or the vehicle logs. Thus, fuel purchases cannot be compared to vehicle mileage readings to determine the reasonableness of fuel use. Also, the logs for vehicles assigned to specific employees do not include a description of the use of the vehicle.

Maintenance and review of bulk fuel logs and comparison of log information to inventory records and fuel purchases, are necessary to prevent paying vendors for improper billing amounts, and to decrease the risk of theft or misuse of fuel occurring without detection. Vehicle logs should provide sufficient details so the district can effectively monitor use of vehicles assigned to individuals and calculate miles per gallon to provide assurance fuel use is for district business only.

## Recommendations

The Monarch Fire Protection Board:

- 6.1 Ensure complete and detailed capital asset records are maintained, annual physical inventories are performed and compared to detailed records, and proper approval is documented for the disposal of assets.
- 6.2 Ensure records are maintained for all bulk fuel tanks of fuel pumped, total fuel pumped is reconciled to fuel purchases plus fuel on hand, and any differences are investigated. The Board should also ensure mileage/usage logs contain odometer readings for all vehicles and description of use for vehicles assigned to specific employees.



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Monarch Fire Protection District  
Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The Board of Directors provided the following written responses:*

- 6.1 *The District will review the current list of assets and perform a rolling stock inventory on a yearly basis. We will continue to perform a testing of our inventory of an annual basis. This recommendation has been reviewed and the Monarch Fire Protection District will use appropriate employees to assist the District with the review and removal of the old assets.*
- 6.2 *The District is reviewing the fuel & mileage policy and procedure. The staff at the Monarch Fire Protection District is in the process of developing a plan that will address this issue and allow the District to account for mileage, fuel output and input.*

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# Monarch Fire Protection District

## Organization and Statistical Information

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Monarch Fire Protection District is a fire district established pursuant to Chapter 321, RSMo. The Monarch Fire Protection District was known as the Chesterfield Fire Protection District prior to 2003. The district includes parts of six cities including Ballwin, Chesterfield, Clarkson Valley, Creve Coeur, Maryland Heights, and Wildwood, as well as parts of unincorporated St. Louis County. The district services approximately 60,000 citizens. The district employed 125 full-time employees as of December 31, 2010.

An elected board serves as the policy-making body for district operations. The board's three members serve 6-year terms. The Board members during the year ended December 31, 2010, are identified below. Salaries for board members are established by state law. Members of the board are paid \$200 for each open and closed meeting (up to four total meetings per month). The Board President elected not to receive the latest increase and thus was only paid \$190 per meeting. In addition, the President is paid an additional \$50 per open meeting (up to 2 meetings per month), the Secretary is paid an additional \$1,000 a year, and the Treasurer is paid an additional \$1,000 per year.

### Board of Directors

Name and Title	Compensation Paid for
	the Year Ended December 31, 2010
Richard Gans, Board President	\$ 10,230
Robin Harris, Board Secretary	10,483
Kim Evans, Board Treasurer	10,083

### Fire Chief

The Fire Chief at December 31, 2010, was Clifford Biele and his annual compensation was \$123,706. The Fire Chief's compensation is established by the Board of Directors.

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Monarch Fire Protection District did not receive any federal stimulus monies during the year ended December 31, 2010.



Thomas A. Schweich  
Missouri State Auditor

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## NATURAL RESOURCES

# Soil and Water Conservation Program



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February 2012  
Report No. 2012-07

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

## Findings in the audit of the Department of Natural Resources, Soil and Water Conservation Program

**Oversight of District Activities** The Department of Natural Resources (DNR), Soil and Water Conservation Program (SWCP) needs to improve its procedures for reviewing and monitoring operations of Soil and Water Conservation Districts. The SWCP did not document its review of district board minutes. The districts did not adequately document project approvals in board minutes as required by SWCP policy, and several of the districts did not properly document the reasons and votes for going into closed sessions.

The SWCP did not adequately monitor district administrative grant expenditures. The SWCP reviewed district quarterly reports but did not review supporting payroll records, and some districts did not timely submit quarterly reports. The SWCP failed to detect some unallowable expenditures, including meal expenses which exceeded SWCP policy limits, meal reimbursements when the conference attended provided meals, and a printer. One district employee was reimbursed for cash prizes given in a youth poster contest, but the documentation did not include the names of the prize winners, as is required by SWCP policy.

SWCP indicated annual district audits cannot be conducted annually as required because of budgetary and staffing constraints, but the process for choosing which districts to audit is not formalized or documented. In addition, the SWCP had not yet provided corrective action plans for the most recently completed audits.

In the areas audited, the overall performance of this entity was **Good**.\*

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Department of Natural Resources, Soil and Water Conservation Program, did not receive any federal stimulus monies during the audited time period.

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our website: <http://auditor.mo.gov>

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# Department of Natural Resources

## Soil and Water Conservation Program

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Sara Parker-Pauley, Director  
Department of Natural Resources  
and  
Members of the Soil and Water Districts Commission  
and  
Colleen Meredith, Program Director  
Soil and Water Conservation Program  
Jefferson City, Missouri

We have audited certain operations of the Department of Natural Resources Soil and Water Conservation Program in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2011, 2010, and 2009. The objectives of our audit were to:

1. Evaluate the program's internal controls over significant management and financial functions.
2. Evaluate the program's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the program, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the program's management and was not subjected to the procedures applied in our audit of the program.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Natural Resources Soil and Water Conservation Program.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Kelly Davis, M.Acct., CPA, CFE
Audit Staff:	Travis Owens, MBA, CFE
	James M. Applegate, MBA
	Kimberly Shepard



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# Department of Natural Resources

## Soil and Water Conservation Program

### Management Advisory Report - State Auditor's Findings

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#### **1. Oversight of District Activities**

The Department of Natural Resources (DNR) Soil and Water Conservation Program (SWCP) procedures for reviewing and monitoring operations of Soil and Water Conservation Districts need improvement. The SWCP provides funding for administrative and landowner grants to Missouri's 114 Soil and Water Conservation Districts for various soil and water conservation programs. These grants and SWCP administrative costs are funded by state soils and water sales tax revenues of approximately \$38 million annually.

##### **1.1 Review of district minutes**

SWCP review of district board minutes for compliance with landowner grant and closed meeting requirements needs improvement. District boards meet monthly to approve and monitor landowner cost-share grant projects and to oversee district operations. Board meetings are subject to Sunshine Law requirements and meeting minutes are prepared by each district. SWCP personnel review the minutes to ensure state-funded district operations comply with various requirements. While SWCP personnel indicated all submitted district minutes are reviewed and follow-up is performed on concerns noted, they did not document these reviews. As a result, it is difficult to determine whether non-compliance with cost-share project or closed meeting requirements were corrected.

##### **Cost-share project approval**

Our review of cost-share projects noted various districts did not adequately document required project approvals in board minutes. To receive cost-share grant funding for which project costs are shared by the SWCP and the landowner, an application must be submitted and approved by the district board. Once the project is complete, the district board reviews the reimbursement claim and approves the invoices for state reimbursement by the SWCP. All district approvals are required by SWCP policy to be documented in the district board minutes.

Districts did not document various approvals in board minutes for 12 of the 25 projects reviewed. For eight of these projects, no documentation of the project was included in district minutes provided by the SWCP. For four projects, the minutes stated the district board reviewed and approved cost-share reports, but the SWCP did not request additional documentation of district board approval for these projects.

##### **Closed meetings**

SWCP review of district minutes for compliance with closed meeting requirements also needs improvement. The level of documentation in district open meeting minutes related to closed sessions varied greatly among districts during fiscal years 2010 and 2011, and concerns were noted with minutes maintained by six of ten districts reviewed. Four of the six districts did not document the specific statutory reason for holding closed sessions and three of the six districts did not document the results of votes to go into closed session.



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Management Advisory Report - State Auditor's Finding

Section 610.022.1, RSMo, states "The vote of each member of the public governmental body on the question of closing a public meeting or vote and the specific reason for closing that meeting or vote by reference to a specific section of this chapter shall be announced publicly at an open meeting of the governmental body and entered into the minutes." Section 610.021, RSMo requires certain votes taken in closed session to be disclosed in open session.

Without adequate reviews of district minutes, there is an increased risk noncompliance with cost-share approval and closed meeting requirements will go undetected. In addition, reviews of district minutes allow program personnel to be aware of all activities occurring in the districts including personnel changes, expenditure decisions, and other activities related to the sales tax funds.

## 1.2 Administrative grant monitoring

The SWCP does not adequately monitor district administrative grant expenditures. SWCP personnel perform reviews of district quarterly reports of expenditures; however, the SWCP does not review supporting payroll records and some districts did not submit quarterly reports timely. In addition, SWCP reviews did not detect some unallowable costs incurred by the districts. The SWCP provides administrative grants to each district totaling approximately \$11 million annually from the soils and water sales tax monies. These grants are used for administrative expenses such as salaries and benefits, supplies, and travel.

### District payroll

Current monitoring procedures do not include a review of supporting documentation for payroll expenditures. Districts currently report hours worked and pay rates but do not submit timesheets to support the reported payroll hours. In fiscal year 2011, personnel-related expenditures totaled over \$9.5 million, or 82 percent of total administrative grants.

The SWCP is in the process of implementing a new electronic timekeeping system which will provide more timely and detailed records of district employee payroll. SWCP policy prohibits districts from using grant monies for non-SWCP programs, such as non-agricultural federal grants or equipment rental operations. The new system is designed to provide more detailed reporting of time spent on SWCP-related activities and help the SWCP ensure district compliance with grant policies. As of November 2011, 105 districts are using the new system. SWCP personnel expect the remaining districts to be online once technical issues are resolved. While this system will allow the SWCP access to district timekeeping records, there are currently no plans for the SWCP to perform regular or periodic reviews of supporting documentation for district-reported time.

### District expenditures

We reviewed certain district expenditures charged to the administrative grants and noted the following which appear to be unallowable or excessive:



Department of Natural Resources  
Soil and Water Conservation Program  
Management Advisory Report - State Auditor's Finding

- District employees charged meal expenses that exceeded daily limits and were reimbursed for meals when the conferences provided meals. We reviewed expenses at ten districts and noted three districts incurred meal expenses that exceeded amounts allowed by SWCP policy by a total of \$150.
- One district purchased a printer from administration funding which is not allowable under SWCP policy.
- Another district did not provide sufficient documentation to support a \$92 reimbursement to a district employee. The employee used personal funds for prizes in a youth poster contest, but did not document the names of the prize winners. SWCP policy requires at least a listing of prize winners to be submitted to support these payments.

In addition, two districts submitted quarterly expenditure reports 2 to 3 months after the end of the quarter. Currently, SWCP policy requires quarterly reports be submitted within 10 days after the end of the quarter.

Sufficient monitoring procedures, including reviewing payroll timekeeping documentation on at least a test basis, is necessary to ensure administrative grant expenditures are allowable and necessary. Without a review of timekeeping documentation, the SWCP has less assurance districts are accurately reporting time in the new system and payroll expenditures are for allowable activities. Timely submission of district quarterly reports is also necessary to ensure SWCP personnel are able to address errors and make necessary corrections to funding allocations.

### 1.3 District audits

Soil and Water Conservation Districts are not audited annually as required by state law, and while audits are periodically performed, procedures to prioritize the districts to be audited and frequency of audits have not been finalized. In addition, procedures to follow up on audit findings need to be improved.

SWCP personnel indicated annual district audits cannot be performed due to staffing and budgetary constraints. The SWCP and the DNR Internal Audit Program contracted with CPA firms to conduct audits of 27 of the 114 districts in 2010. Prior to this, the last audits of selected districts were performed in 2006. The SWCP and Internal Audit Program currently do not have a formal process to select which districts should be audited and the timing of the audits. The SWCP chose the 27 districts selected for audit in 2010 based on staff suggestions, but this process was not formalized or documented. SWCP officials indicated they are in the process of developing a schedule to ensure all districts are audited every 4 years; however this has not been completed.



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Management Advisory Report - State Auditor's Finding

In addition, upon completion of the most recent audits performed, the SWCP has not provided Internal Audit the requested corrective action plans for audit findings. Corrective action plans were requested as early as February 2011 on completed audits, but had not been received by Internal Audit as of July 2011.

Section 278.110.6, RSMo, requires district finances to be audited annually. Routine audits would provide additional assurance the districts are complying with SWCP requirements. If annual audits cannot be conducted, the SWCP and Internal Audit Program should finalize a plan to ensure audits are conducted periodically for all districts. In addition, follow-up on audit findings is necessary to ensure corrective action is performed in a timely manner.

## Recommendations

The SWCP:

- 1.1 Develop procedures to ensure documentation of minutes reviewed and follow-up on concerns is prepared and retained. These reviews should ensure district board approval of cost-share projects is adequately documented and districts comply with the Sunshine Law regarding closed meetings.
- 1.2 Improve district monitoring procedures to include reviewing supporting documentation for payroll expenditures and ensure administrative expenditures are allowable and reasonable. In addition, the SWCP should ensure quarterly expenditure reports are submitted by the deadline.
- 1.3 Ensure district audits are conducted annually in accordance with state law or develop a plan to ensure audits are conducted periodically for all districts. In addition, corrective action plans for audit findings should be submitted to Internal Audit in a timely manner.

## Auditee's Response

*The Soil and Water Conservation Program provided the following written response:*

- 1.1 *We agree with the recommendation. The SWCP has developed procedures to scan in all district minutes into an electronic file. The SWCP district coordinators will utilize the "District Minute Checklist" to thoroughly review the minutes and provide guidance back to district boards and personnel on deficiencies in the district board's minutes. Special attention will be paid to cost-share documentation, compliance with the Sunshine Law and Treasurers Report. Districts will be required to attach reports from the Missouri Soil and Water Information Management System*



Department of Natural Resources  
Soil and Water Conservation Program  
Management Advisory Report - State Auditor's Finding

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*(MoSWIMS), which will show all actions related to cost-share contracts (approvals, amendments, and payments). A checklist will be used to determine compliance with Sunshine Law requirements. The completed "District Minute Checklist" will be scanned with the minutes documenting the deficiencies and guidance provided to the districts.*

- 1.2 We agree with the recommendation. The SWCP will periodically review information from the new time reporting tool to ensure the time reported on district timesheets correlate to the personnel expenses submitted. The SWCP will develop more specific policies that will provide a defined timeline for submission of the quarterly reports and appropriate follow-up.*
- 1.3 We agree with the recommendation. The SWCP will work with the Internal Audit Program to develop procedures to ensure audits of the district's accounts of receipts and disbursements are conducted in accordance with state law. The SWCP and Internal Audit Program will continue to schedule contract audits of the districts. The SWCP will develop a risk assessment process to assist in determining the priority order of districts to be audited. The SWCP through policy and procedure development will ensure all corrective action plans from the districts contract audits are forwarded to Internal Audit Program on a timely basis.*

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# Department of Natural Resources

## Soil and Water Conservation Program

### Organization and Statistical Information

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The Soil and Water Conservation Program (SWCP) provides financial incentives to landowners to implement conservation practices that help prevent soil erosion and protect water resources. By promoting good farming techniques that help keep soil on the fields and waters clean, the program helps conserve the productivity of Missouri's working lands. Assistance offered by the SWCP includes the cost-share program, agricultural nonpoint source special area land treatment program, district grants, and the Mississippi River Basin Healthy Watersheds Initiative.

The SWCP provides conservation services and funding to Missouri's 114 Soil and Water Conservation Districts. The SWCP is administered by the Soil and Water Districts Commission.

The Soil and Water Districts Commission has ten members made up of six farmers appointed by the Governor and four ex-officio members. The four ex-officio members are directors of the Departments of Natural Resources, Agriculture, and Conservation, along with the dean of the University of Missouri-Columbia's College of Agriculture. The commission has the authority to promulgate such rules and regulations as may be necessary to effectively administer a state-funded soil and water conservation program.

#### Commission Members at June 30, 2011

Farmer Members	
Commissioner	Term Expires
Richard Fordyce	August 15, 2010 (1)
Gary Vandiver	August 15, 2011
Charlie Ausfahl	August 15, 2012
Kathryn Braden	August 15, 2010 (1)
Thomas Bradley	August 15, 2012
Vacant	August 15, 2011
Ex-Officio Members	
Commissioner	Title
Sara Parker-Pauley	Director, Department of Natural Resources
Dr. Jon Hagler	Director, Department of Agriculture
Robert Ziehmer	Director, Department of Conservation
Thomas Payne	Dean, University of Missouri-Columbia, College of Agriculture

(1) Members continue to serve until a replacement is named.

The director of the SWCP oversees the commission's operation and administration. In June 2011, Colleen Meredith was appointed Interim Program Director and is currently serving in that capacity. Prior to this, Bryan Hopkins served as the Program Director.

The primary source of funding for the Soil and Water Conservation Program is half of the one-tenth-of-one-percent parks, soils and water sales tax. The parks, soils and water tax was created through a constitutional amendment



Department of Natural Resources  
Soil and Water Conservation Program  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

and earmarked specifically for the state park system and efforts to stop soil erosion. The tax was first approved by voters in 1984, and has since been reapproved by voters three times in 1988, 1996 and 2006. The sales tax renewal will be up for vote in 2016.

The Department of Natural Resources Soil and Water Conservation Program did not receive any federal stimulus monies during the three years ended June 30, 2011.

Appendix A

Department of Natural Resources-Soil and Water Conservation Program  
Comparative Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments -  
Soil and Water Sales Tax Fund

	Year Ended June 30,		
	2011	2010	2009
RECEIPTS			
Soil and water sales/use tax	\$ 38,326,982	37,541,196	38,627,589
Inter-agency billing	0	0	2,286
Refunds	52,316	27,949	28,789
Interest	222,314	423,043	905,970
Transfer in	85	199	951
Total Receipts	<u>38,601,697</u>	<u>37,992,387</u>	<u>39,565,585</u>
DISBURSEMENTS			
Personal service	1,292,067	1,203,711	1,374,713
Employee fringe benefits	591,551	549,774	569,690
Operations	38,525,049	36,622,079	39,432,193
Total Disbursements	<u>40,408,667</u>	<u>38,375,564</u>	<u>41,376,596</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES	<u>(1,806,970)</u>	<u>(383,177)</u>	<u>(1,811,011)</u>
OTHER FINANCING USES			
Appropriations exercised by other state agencies			
OA-Legal and other expense	8,476	8,476	8,746
OA-Unemployment insurance	320	5,760	607
Office of the Attorney General	14,464	14,464	14,464
Office of the State Auditor	20,728	20,728	20,728
Department of Revenue	247,772	254,942	271,769
Total Other Financing Uses	<u>291,760</u>	<u>304,370</u>	<u>316,314</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	<u>(2,098,730)</u>	<u>(687,547)</u>	<u>(2,127,325)</u>
CASH AND INVESTMENTS, JULY 1	<u>30,584,105</u>	<u>31,271,652</u>	<u>33,398,977</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 28,485,375</u>	<u>30,584,105</u>	<u>31,271,652</u>



Appendix B

Department of Natural Resources - Soil and Water Conservation Program  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2011			2010			2009		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>SOIL AND WATER SALES TAX FUND</b>									
Attorney General Expense and Equipment	\$ 2,267	2,267	0	2,267	2,267	0	2,267	2,267	0
Attorney General Personal Service	12,197	12,197	0	12,197	12,197	0	12,197	12,197	0
Conservation Equipment Incentive Program	75,000	23,646	51,354	500,000	36,139	463,861	300,000	75,740	224,260
Cost Share Grant	26,500,000	24,360,611	2,139,389	26,000,000	20,064,337	5,935,663	20,451,832	20,430,169	21,663
Department Operations - Contract Audits Expense and	250,604	153,793	96,811	58,000	0	58,000	106,000	105,755	245
Field Services Expense and Equipment	0	0	0	20,000	8,716	11,284	30,423	23,559	6,864
Grants To Soil Districts	11,680,820	10,446,731	1,234,089	11,680,820	10,816,185	864,635	9,647,404	9,624,598	22,806
Refund Accounts	329	0	329	329	0	329	329	0	329
Regional Offices Expense and Equipment	20,000	9,713	10,287	0	0	0	0	0	0
Soil and Water Conservation Expense and Equipment	638,555	231,038	407,517	638,555	208,802	429,753	1,156,799	1,156,640	159
Soil and Water Conservation Personal Service	1,319,456	1,259,142	60,314	1,319,456	1,170,786	148,670	1,403,171	1,341,788	61,383
Soil and Water Resources Grant	75,000	52,807	22,193	75,000	0	75,000	185,000	168,096	16,904
Special Area Land Treatment	3,600,000	2,497,173	1,102,827	4,620,454	4,620,410	44	6,896,200	6,890,639	5,561
State Auditor Personal Service	20,728	20,728	0	20,728	20,728	0	20,728	20,728	0
Unemployment Benefits	7,619	320	7,299	7,619	5,760	1,859	7,619	607	7,012
Total Soil And Water Sales Tax Fund	\$ 44,202,575	39,070,166	5,132,409	44,955,425	36,966,327	7,989,098	40,219,969	39,852,783	367,186

*Note: There were no Governor's withholdings for this fund for these years.*

Appendix C

Department of Natural Resources - Soil and Water Conservation Program  
Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2011	2010	2009	2008	2007
Salaries and wages	\$ 1,292,067	1,203,711	1,374,713	2,011,961	1,953,605
Travel, in-state	55,705	36,582	70,629	111,267	96,602
Travel, out-of-state	1,021	1,673	8,728	9,088	7,982
Fuel and utilities	0	0	113	4,762	3,914
Supplies	22,929	23,385	31,075	81,026	51,910
Professional development	18,115	18,052	21,421	56,456	76,229
Communication service and supplies	20,019	20,822	22,602	113,608	34,301
Services:					
Professional services	275,886	330,089	2,595,746	1,676,392	1,353,348
Housekeeping and janitorial	0	51	309	7,555	6,254
Maintenance and repair	1,727	5,409	6,391	33,196	19,262
Equipment:					
Computer	0	302	0	635,311	76,333
Office	0	0	726	91	112
Other	0	18	0	5,162	23,606
Debt service	0	0	0	0	2,898
Building lease payments	1,390	1,636	1,309	110,959	83,510
Equipment rental and leases	171	188	888	396	839
Miscellaneous expenses	7,889	9,965	11,224	5,490	7,477
Program distributions	37,373,247	35,314,444	35,706,909	30,447,666	31,772,970
Total Expenditures	\$ <u>39,070,166</u>	<u>36,966,327</u>	<u>39,852,783</u>	<u>35,310,386</u>	<u>35,571,152</u>



**THOMAS A. SCHWEICH**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Ray County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Ray County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2010, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Kevin G. Hudson, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized "S" at the end.

Thomas A. Schweich  
State Auditor

February 2012  
Report No. 2012-06

**RAY COUNTY, MISSOURI  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2010**

# Ray County, Missouri

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## **Independent Auditors' Report**

To the County Commission of  
Ray County, Missouri  
Richmond, Missouri

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ray County, Missouri, (the County) as of and for the years ended December 31, 2010 and 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed more fully in Note 1, the County prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2010 and 2009, and the respective changes in financial position-cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

## **Independent Auditors' Report (Concluded)**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 30, 2011, on my consideration of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information, budgetary comparison information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Ray County, Missouri. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Original signed by auditor

Kevin G. Hudson, C.P.A.  
Trenton, Missouri  
December 30, 2011



**Ray County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

The discussion and analysis of Ray County's financial performance provides an overall review of the County's financial activities for the years ended December 31, 2010 and 2009. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements, including the notes to the financial statements, to enhance their understanding of the County's financial performance.

**Financial Highlights**

Key financial highlights for 2010 and 2009 are as follows:

- The county's total governmental revenues exceeded total expenditures by \$117,522 for the year ended December 31, 2009. The total expenditures exceeded governmental receipts by \$119,109 for the year ended December 31, 2010.
- The county's governmental funds ended the year ended December 31, 2010 with a combined cash balance of \$744,021 and the year ended December 31, 2009 of \$863,130.
- County revenues for the year ended December 31, 2010 of \$6,792,631 decreased by \$92,606 over the county revenues for the year ended December 31, 2009 of \$6,885,237.
- County expenditures for the year ended December 31, 2010 of \$6,911,740 increased by \$144,025 over the county expenditures for the year ended December 31, 2009 of \$6,767,715.

**Overview of the Financial Statements**

The contents of this report comply with the presentation requirements of Statement No.34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as applicable to the cash basis of accounting. The county's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The notes are an integral part of the government-wide and fund financial statements and provide more detail about the information presented in the statements. This report also contains other financial information in addition to the basic financial statements.

**Ray County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

The county has elected to present its financial statements on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America. "Basis of accounting" refers to when financial events are recorded. Under the cash basis of accounting, revenues are recorded when received rather than when earned, and expenditures are recorded when paid rather than when the related liabilities are incurred. Therefore, when reviewing the financial information and discussion in this report, the reader should recall the limitations resulting from use of the cash basis of accounting.

Government-Wide Financial Statements

The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the county as a whole. These statements present the county's net assets and show how they have changed. Over time, increases or decreases in the county's net assets are one indicator of whether its financial health or position is improving or deteriorating. However, to assess the county's overall financial health, the reader needs to consider additional nonfinancial factors. The government-wide financial statements report only governmental activities - activities such as general government operations, public safety, and health and welfare that are usually financed through taxes and intergovernmental receipts. The county has no business-like activities-activities financed wholly or partially by fees charged to external parties for goods or services.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the county as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other sources of receipts. The fund financial statements include only governmental funds, which focus on the flow of money into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed view of the county's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether more or fewer financial resources can be spent in the near future to finance the county's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-28 of this report.

**Ray County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

Other Information

This report also includes as required supplementary information this Management's Discussion and Analysis and the Budgetary Comparison Schedules for all governmental, special revenue funds and capital projects funds - cash basis. Such information is intended to supplement the government-wide financial statements, fund financial statements, and notes to the financial statements but is not a part of those statements.

In addition, the report includes the following components that are not a required part of the financial statements: the Schedule of Expenditures of Federal Awards, required for audits of federal program expenditures conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Government-wide Financial Analysis**

Below is a chart showing assets, receipts and disbursements for the years ended December 31, 2010 and 2009.

	<u>Year Ended December 31,</u> 2010	<u>2009</u>
Net Assets	\$ 744,021	\$ 863,130
Program Receipts	3,278,510	3,086,734
General Receipts	3,514,121	3,798,503
Disbursements	6,911,740	6,767,715
Change in Net Assets	(119,109)	117,522

For the two years disclosed in the audit, the change in Net Assets is primarily due to the County Revenue Fund. This fund had net assets of \$191,878 in 2009 as compared to \$29,305 in 2010. General receipts were less between 2010 and 2009. Program receipts increased in 2010 due to an increase in prisoner boarding fees.

**Financial Analysis of the County's Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

**Ray County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

As of December 31, 2010, the county's governmental funds reported combined ending fund balances of \$744,021, a decrease of \$119,109 over the prior years fund balance of \$863,130. The unreserved portion of fund balance was \$29,305 for 2010 and \$191,878 for the year ended 2009. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The County Revenue Fund is the chief operating fund of the County. At the end of the fiscal year 2010, unreserved fund balance of the County Revenue Fund was \$29,305 and the unreserved fund balance of the County Revenue Fund for fiscal year 2009 was \$191,878. As a measure of the County Revenue Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The unreserved fund balance of the County Revenue Fund decreased by \$162,573 for fiscal year 2010 as compared to an increase of \$174,520 for fiscal year 2009.

**County Revenue Fund Budgeting Highlights**

The County's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the county's County Revenue Fund.

The original and final budgeted revenues for the county revenue fund were \$3,951,174 for 2010 and \$3,782,614 for 2009. The original and final budgeted expenditures were \$4,123,712 for 2010 and \$3,739,793 for 2009.

The County did not make any budget amendments to various funds.

**Economic Factors and Next Year's Budgets**

The county sales taxes and property taxes have increased slightly in the past two years, which is a positive sign for revenue growth.

The County Revenue Fund has increased \$11,947 over the two year period that was audited. It is encouraging that the fund has increased, however, the balances of the County Revenue Fund are extremely low.

**Ray County, Missouri**  
Management's Discussion and Analysis  
For the Two Years Ended December 31, 2010

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the County Clerk, 100 W. Main, Richmond, Missouri 64085, (816) 776-2187.

## **GOVERNMENT WIDE FINANCIAL STATEMENTS**

**Ray County, Missouri**  
**Government Wide Statement of Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 744,021
<b>Total Assets</b>	<u>\$ 744,021</u>
 <b>NET ASSETS:</b>	
Restricted	\$ 714,716
Unrestricted	<u>29,305</u>
<b>Total Net Assets</b>	<u>\$ 744,021</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement

**Ray County, Missouri**  
**Government Wide Statement of Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

	<b>Governmental <u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 863,130
<b>Total Assets</b>	<u>\$ 863,130</u>
<b>NET ASSETS:</b>	
Restricted	\$ 671,252
Unrestricted	<u>191,878</u>
<b>Total Net Assets</b>	<u>\$ 863,130</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement



**Ray County, Missouri**  
**Government-Wide Statement of Activities**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

			<u>Program Revenues</u>	Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General County Government	\$ 4,659,713	\$ 1,888,156	\$ 197,629	\$ (2,573,928)
Roads and Bridges	1,231,518	-	830,526	(400,992)
Special County Tax	743,798	-	38,962	(704,836)
Assessment	<u>276,711</u>	<u>323,237</u>	<u>-</u>	<u>46,526</u>
<b>Total Governmental Activities</b>	<u>\$ 6,911,740</u>	<u>\$ 2,211,393</u>	<u>\$ 1,067,117</u>	<u>\$ (3,633,230)</u>
 <b>Total Ray County</b>	 <u>\$ 6,911,740</u>	 <u>\$ 2,211,393</u>	 <u>\$ 1,067,117</u>	 <u>\$ (3,633,230)</u>
 <b>General Revenues:</b>				
Property Taxes				469,646
Sales Taxes				2,388,414
Interest				2,410
Other				<u>653,651</u>
<b>Total General Revenues</b>				<u>3,514,121</u>
 Change in Net Assets				(119,109)
 <b>Net Assets - Beginning</b>				<u>863,130</u>
 <b>Net Assets - Ending</b>				<u>\$ 744,021</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Ray County, Missouri**  
**Government-Wide Statement of Activities**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

		<u>Program Revenues</u>		Net (Disbursements) Receipts and Changes in Cash <u>Balances</u>
	<u>Expenses</u>	Charges for <u>Services</u>	<u>Intergovernmental</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General County Government	\$ 4,024,401	\$ 1,606,334	\$ 57,461	\$ (2,360,606)
Roads and Bridges	1,299,988	-	914,729	(385,259)
Special County Tax Assessment	1,134,914 308,412	- 291,789	216,421 -	(918,493) (16,623)
<b>Total Governmental Activities</b>	<b><u>\$ 6,767,715</u></b>	<b><u>\$ 1,898,123</u></b>	<b><u>\$ 1,188,611</u></b>	<b><u>\$ (3,680,981)</u></b>
<b>Total Ray County</b>	<b><u>\$ 6,767,715</u></b>	<b><u>\$ 1,898,123</u></b>	<b><u>\$ 1,188,611</u></b>	<b><u>\$ (3,680,981)</u></b>
<b>General Revenues:</b>				
Property Taxes				459,333
Sales Taxes				2,377,577
Interest				4,600
Other				956,993
<b>Total General Revenues</b>				<b><u>3,798,503</u></b>
Change in Net Assets				117,522
<b>Net Assets - Beginning</b>				<b><u>745,608</u></b>
<b>Net Assets - Ending</b>				<b><u>\$ 863,130</u></b>

The accompanying notes to the financial statements are an integral part of this financial statement

**Ray County, Missouri**  
**Balance Sheet - Cash Basis**  
**Governmental Funds**  
**For the Year Ended December 31, 2010**

	County Revenue <u>Fund</u>	Class III Road & Bridge <u>Fund</u>	Special County Tax <u>Fund</u>	Assessment <u>Fund</u>	Other Governmental <u>Funds</u>	2010 Total Government <u>Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 29,305	\$ 121,841	\$ 67,990	\$ 209,002	\$ 315,883	\$ 744,021
<b>TOTAL ASSETS</b>	<u>\$ 29,305</u>	<u>\$ 121,841</u>	<u>\$ 67,990</u>	<u>\$ 209,002</u>	<u>\$ 315,883</u>	<u>\$ 744,021</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>FUND BALANCES</b>						
Unreserved, Reported in:						
General Fund	\$ 29,305	\$ -	\$ -	\$ -	\$ -	\$ 29,305
Special Revenue Funds	-	121,841	67,990	209,002	-	398,833
Nonmajor Funds	-	-	-	-	315,883	315,883
<b>TOTAL FUND BALANCES</b>	<u>\$ 29,305</u>	<u>\$ 121,841</u>	<u>\$ 67,990</u>	<u>\$ 209,002</u>	<u>\$ 315,883</u>	<u>\$ 744,021</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Ray County, Missouri**  
**Balance Sheet - Cash Basis**  
**Governmental Funds**  
**For the Year Ended December 31, 2009**

	County Revenue <u>Fund</u>	Class III Road & Bridge <u>Fund</u>	Special County Tax <u>Fund</u>	Assessment <u>Fund</u>	Other Governmental <u>Funds</u>	2009 Total Government <u>Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 191,878	\$ 144,796	\$ 50,260	\$ 143,805	\$ 332,391	\$ 863,130
<b>TOTAL ASSETS</b>	<u>\$ 191,878</u>	<u>\$ 144,796</u>	<u>\$ 50,260</u>	<u>\$ 143,805</u>	<u>\$ 332,391</u>	<u>\$ 863,130</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>FUND BALANCES</b>						
Unreserved, Reported in:						
General Fund	\$ 191,878	\$ -	\$ -	\$ -	\$ -	\$ 191,878
Special Revenue Funds	-	144,796	50,260	143,805	-	338,861
Nonmajor Funds	-	-	-	-	332,391	332,391
<b>TOTAL FUND BALANCES</b>	<u>\$ 191,878</u>	<u>\$ 144,796</u>	<u>\$ 50,260</u>	<u>\$ 143,805</u>	<u>\$ 332,391</u>	<u>\$ 863,130</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Ray County, Missouri**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2010**

	County Revenue <u>Fund</u>	Class III Road & Bridge <u>Fund</u>	Special County Tax <u>Fund</u>	Assessment <u>Fund</u>	Other Governmental <u>Funds</u>	2010 Total Government <u>Funds</u>
<b>REVENUES:</b>						
Taxes - Sales	\$ 1,665,939	\$ -	\$ 722,475	\$ -	\$ -	\$ 2,388,414
Taxes - Property	-	331,479	-	-	138,167	469,646
Intergovernmental Revenues	41,421	830,526	38,962	-	156,208	1,067,117
Charges for Services	1,830,550	-	-	323,237	57,606	2,211,393
Interest Income	291	162	91	375	1,491	2,410
Other	395,949	46,396	-	18,296	193,010	653,651
<b>TOTAL REVENUES</b>	<u>3,934,150</u>	<u>1,208,563</u>	<u>761,528</u>	<u>341,908</u>	<u>546,482</u>	<u>6,792,631</u>
<b>EXPENDITURES:</b>						
General County Government	4,096,723	-	-	-	562,990	4,659,713
Roads and Bridges	-	1,231,518	-	-	-	1,231,518
Special County Tax	-	-	743,798	-	-	743,798
Assessment	-	-	-	276,711	-	276,711
<b>TOTAL EXPENDITURES</b>	<u>4,096,723</u>	<u>1,231,518</u>	<u>743,798</u>	<u>276,711</u>	<u>562,990</u>	<u>6,911,740</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(162,573)</u>	<u>(22,955)</u>	<u>17,730</u>	<u>65,197</u>	<u>(16,508)</u>	<u>(119,109)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer To/From Other Funds	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(162,573)	(22,955)	17,730	65,197	(16,508)	(119,109)
<b>Fund Balance - Beginning of Year</b>	<u>191,878</u>	<u>144,796</u>	<u>50,260</u>	<u>143,805</u>	<u>332,391</u>	<u>863,130</u>
<b>Fund Balance - End of Year</b>	<u>\$ 29,305</u>	<u>\$ 121,841</u>	<u>\$ 67,990</u>	<u>\$ 209,002</u>	<u>\$ 315,883</u>	<u>\$ 744,021</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Ray County, Missouri**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2009**

	County Revenue <u>Fund</u>	Class III Road & Bridge <u>Fund</u>	Special County Tax <u>Fund</u>	Assessment <u>Fund</u>	Other Governmental <u>Funds</u>	2009 Total Government <u>Funds</u>
<b>REVENUES:</b>						
Taxes - Sales	\$ 1,656,342	\$ -	\$ 721,235	\$ -	\$ -	\$ 2,377,577
Taxes - Property	-	326,233	-	-	133,100	459,333
Intergovernmental Revenues	57,461	914,729	216,421	-	-	1,188,611
Charges for Services	1,554,824	-	-	291,789	51,510	1,898,123
Interest Income	1,832	663	468	380	1,257	4,600
Other	<u>587,398</u>	<u>56,135</u>	<u>-</u>	<u>16,199</u>	<u>297,261</u>	<u>956,993</u>
<b>TOTAL REVENUES</b>	<u>3,857,857</u>	<u>1,297,760</u>	<u>938,124</u>	<u>308,368</u>	<u>483,128</u>	<u>6,885,237</u>
<b>EXPENDITURES:</b>						
General County Government	3,683,337	-	-	-	341,064	4,024,401
Roads and Bridges	-	1,299,988	-	-	-	1,299,988
Special County Tax	-	-	1,134,914	-	-	1,134,914
Assessment	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,412</u>	<u>-</u>	<u>308,412</u>
<b>TOTAL EXPENDITURES</b>	<u>3,683,337</u>	<u>1,299,988</u>	<u>1,134,914</u>	<u>308,412</u>	<u>341,064</u>	<u>6,767,715</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>174,520</u>	<u>(2,228)</u>	<u>(196,790)</u>	<u>(44)</u>	<u>142,064</u>	<u>117,522</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer To/From Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	174,520	(2,228)	(196,790)	(44)	142,064	117,522
<b>Fund Balance - Beginning of Year</b>	<u>17,358</u>	<u>147,024</u>	<u>247,050</u>	<u>143,849</u>	<u>190,327</u>	<u>745,608</u>
<b>Fund Balance - End of Year</b>	<u>\$ 191,878</u>	<u>\$ 144,796</u>	<u>\$ 50,260</u>	<u>\$ 143,805</u>	<u>\$ 332,391</u>	<u>\$ 863,130</u>

The accompanying notes to the financial statements are an integral part of this financial statement

**Ray County, Missouri**  
**Statement of Fiduciary Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 10,483,056
<b>Total Assets</b>	<u>\$ 10,483,056</u>
<b>NET ASSETS:</b>	
Restricted	\$ 10,483,056
Unrestricted	<u>-</u>
<b>Total Net Assets</b>	<u>\$ 10,483,056</u>

The accompanying notes to the financial statements  
 are an integral part of this financial statement

**Ray County, Missouri**  
**Statement of Fiduciary Net Assets**  
**Cash Basis**  
**For the Year Ended December 31, 2009**

	<b>Governmental</b>
	<b><u>Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 10,007,066</u>
<b>Total Assets</b>	<u>\$ 10,007,066</u>
<b>NET ASSETS:</b>	
Restricted	\$ 10,007,066
Unrestricted	<u>-</u>
<b>Total Net Assets</b>	<u>\$ 10,007,066</u>

The accompanying notes to the financial statements  
are an integral part of this financial statement



## **FUND FINANCIAL STATEMENTS**

**Ray County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies**

The financial statements of Ray County, Missouri (the County) have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has adopted the reporting model as required by GASB Statement 34, for the presentation of information in the government-wide financial statements and the major fund statements. The more significant of the County's accounting policies are described below.

**A. Reporting Entity**

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization's government board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the application of the above criteria, the county has no component units.

**B. Basis of Presentation**

Government-wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the primary government in its entirety. Eliminations have been made to minimize the double-counting of internal transactions. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-like activities are financed wholly or partially by fees charged to external parties for goods or services. For the years ended December 31, 2010 and 2009, the county had only governmental activities.

**Ray County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Government-Wide Statement of Net Assets presents the financial condition of the county's governmental activities at year-end. The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) intergovernmental receipts that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the county.

Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The county uses funds to segregate transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the county primary government at this detailed level. The fund financial statements focus on major funds. Each major fund is presented in a separate column, and nonmajor funds are aggregated and presented in a single column. Major funds include (a) the county's primary operating fund, (b) any fund for which total cash, receipts or disbursements of an individual fund are at least 10% of the corresponding element total for all funds of that type, and © any other fund that county officials believe is particularly important to financial statement users.

The accompanying financial statements are structured into one category of funds - governmental. Governmental funds are those through which most governmental functions are typically financed. Reporting for such funds focuses on the sources, uses, and balances of current resources. The county's major governmental funds are as follows:

**County Revenue Fund** - The County Revenue Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the County Revenue Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

**Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue that are legally restricted to expenditure for specified purposes. The Class III Road and Bridge Fund, Special County Tax Fund and Assessment Fund are all considered Special Revenue Funds.

The county's nonmajor governmental funds are also special revenue funds.

**Ray County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

Fiduciary funds account for assets held by the county as a trustee or an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund reporting focuses on net assets and changes in net assets; fiduciary assets are reported in a separate Statement of Fiduciary Net Assets because the county cannot use those assets to finance its operations. The county's fiduciary funds consist of agency funds, which report assets held in a purely custodial capacity and do not involve measurement of results of operations.

The agency funds include the County Collector's Fund, School Fines Fund and School Revolving Fund. These funds are all included in the accompanying Statement of Fiduciary Net Assets.

**C. Basis of Accounting**

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide and fund financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. Consequently, certain assets and their related revenues (such as accounts receivable and revenues billed but not yet collected for goods and services provided) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods and services received but not yet paid for) are not recorded in these financial statements. Generally accepted accounting principles for state and local governments require revenues to be recognized when they are earned or when they become available and measurable and expenditures or expenses to be recognized when the related liabilities are incurred.

Equity classifications: On the Government-Wide Statement of Net Assets, equity is classified as net assets and displayed in two components: restricted and unrestricted. Net assets are reported as restricted when limitations are imposed on their use through either the enabling legislation adopted by the County Commission or external restrictions imposed by creditors, grantors, or the laws and regulations of other governments. All other net assets are reported as unrestricted. The county applies restricted resources first when a disbursement is made for which both restricted and unrestricted net assets are available.

In the fund financial statements, equity is classified as fund balance and also may be displayed in two components: reserved and unreserved. Fund balance is reported as reserved to indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. When such restrictions do not exist, fund balance is reported as unreserved.

**D. Vacation, Personal and Sick Leave**

Vacation time, personal time is considered as expenditures in the year paid. Vacation time is awarded based on years of service and must be used in its entirety prior to the employee's next anniversary date. The county does not have personal days, but comp time can be earned by working overtime.

**Ray County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**E. Budgets and Budgetary Accounting**

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 50, (Sections 50.525 through 50.745, RSMo 2000), the County adopts a budget for various County funds.
- 2) Prior to December 31, each department, office, institution, commission, or court of the County submits to the budget officer its requirements for expenditures and its estimated revenues for the next budget year. These figures are presented with corresponding figures for the last completed year and an estimate of the current year.
- 3) The budget officer holds public hearings prior to presentation of the budget document to the County Commission no later than January 15<sup>th</sup> of each year.
- 4) A public hearing is held not earlier than 10 days after the budget document is made available to the public and with at least 5 days notice of the hearing.
- 5) Amendments to the budget are made by the County Commission as required to allow for appropriation of increased revenues and adjustments between line items within the budget. No budget amendments were made for 2010 and 2009. Please see budgetary comparison schedules in required supplementary information for further details.

The County's policy is to prepare the annual operating budget on a cash basis.

**F. Inventories and Capital Assets**

Inventories include office equipment, road and vehicle maintenance supplies, and fuel. Capital assets consist of land, buildings, furniture, equipment, vehicles, and infrastructure such as roads and bridges. Both inventories and capital assets are recorded as disbursements when they are purchased or constructed.

**G. New Accounting Pronouncements**

The County has adopted GASB Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Adoption of GASB Statement No.34 established standards for external financial reporting for all state and local governmental entities. Significant changes in the statement include a Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations and a presentation of government-wide financial statements. These and other changes are reflected in the accompanying financial statements including notes to financial statements.

**Ray County, Missouri**  
Notes to Financial Statements  
For the Two Years Ended December 31, 2010

**Note 1: Summary of Significant Accounting Policies (Continued)**

**H. Long-Term Debt**

Consistent with the cash basis of accounting, long-term debt is not reported in the government-wide or fund financial statements. Proceeds from debt issuances are reported when received, and payments of principle and interest are reported when disbursements are made.

**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**J. Risk of Loss**

The County protects itself from risk of loss by purchasing commercial insurance for property damage and liability risks. The County does not self insure its risks.

**Note 2: Stewardship, Compliance and Accountability**

*Compliance with Finance Related Legal and Contractual Provisions*

The County incurred no material violations of finance related legal and contractual provisions.

*Excess of Expenditures Over Appropriations in Individual Funds*

For the year ended December 31, 2010, the County had an excess of expenditures over appropriations in the Domestic Violence Fund, Tax Sales Surplus Fund, Noxious Weeds Fund, Sheriff Post Certification Training Fund, Sheriff Revolving Fund, Law Enforcement Restitution Fund, Election 5% Fund, Prosecuting Attorney Bad Check Fund, Deputy Sheriff Supplemental Fund and Grants Fund. For the year ended December 31, 2009, the County had an excess of expenditures over appropriations in the Tax Sales Surplus Fund, Sheriff Revolving Fund, Sheriff Training Fund, Election 5% Fund, Deputy Sheriff Supplemental Fund and Tax Maintenance Fund.

*Net Assets/Fund Balance Deficit*

For the year ended December 31, 2009, the County projected a fund balance deficit of \$185,398 in the Class III Road and Bridge Fund and \$494 in the Prosecuting Attorney Training Fund,.

**Ray County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 3: Cash and Investments**

Deposits - At December 31, 2010 and 2009, the carrying amount of the County's deposits was \$744,021 and \$863,130 respectively. The bank balance for the year ended December 31, 2010 and 2009 was \$1,069,983 and \$1,219,626 respectively. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The County's deposit policy for custodial credit risk requires compliance with the provisions of state law. County policy further requires that all securities that serve as collateral against the deposits of a depository institution must be held in safekeeping at a non-affiliated custodial facility. Of the bank balance, \$250,000 was covered by federal depository insurance and \$819,983 was covered by collateral held by the County's safekeeping agent in the County's name at December 31, 2010 and \$969,626 for the year ended December 31, 2009.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district, or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits

Investments - The county may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has no formal investment policy regarding interest rate risk.

**Investment Credit Risk** - The County has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

**Concentration of Credit Risk** - The County places no limit on the amount it may invest in any one issuer. For the two years ended December 31, 2010, the County had no concentration of credit risk.

**Ray County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 4: Taxes**

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on November 1<sup>st</sup> and payable by December 31<sup>st</sup> of each year. Taxes paid after December 31 are subject to penalties. The county bills and collects its own property taxes and also taxes for most other local governments (except some cities). The assessed valuation of the tangible taxable property for the calendar years 2010 and 2009 for purposes of County taxation was as follows:

	<u>2010</u>	<u>2009</u>
Real Estate	\$ 186,957,020	\$ 185,512,490
Personal Property	53,774,095	50,243,376
Railroad and Utilities	<u>24,903,262</u>	<u>30,314,798</u>
Total	<u>\$ 265,634,377</u>	<u>\$ 266,070,664</u>

The County also receives sales tax collected by the State and remitted based on the County's sales tax rate to the total sales tax collected in the County.

**Note 5: Commitments and Contingencies**

The county is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.



**Ray County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 6: Retirement Plans**

**LAGERS**

**A. Plan Description**

Ray County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

**B. Funding Status**

Full-time employees of Ray County do not contribute to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 8.9% (General) and 10.5% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**C. Annual Pension Cost (APC) and Net Pension Obligation (NPO)**

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 231,527
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension costs	<u>231,527</u>
Actual contributions	<u>209,532</u>
Increase (decrease) in NPO	21,995
NPO beginning of year	-
NPO end of year	<u><u>\$ 21,995</u></u>

**Ray County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 6: Retirement Plan (Continued)**

**LAGERS (Continued)**

**C. Annual Pension Cost (APC) and Net Pension Obligation (NPO) (Concluded)**

The annual required contribution (ARC) was determined as part of the February 29, 2008 and February 28, 2009 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2008 was 15 years for the General division and 15 years for the Police division. The amortization period as of February 28, 2009 was 30 years for the General division and 30 years for the Police division.

**Three Year Trend Information**

<b>Fiscal</b>			
<b>Year</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC</b>	<b>Net Pension</b>
<b><u>Ending</u></b>	<b><u>(APC)</u></b>	<b><u>Contributed</u></b>	<b><u>Obligation</u></b>
6/30/2008	\$ 199,806	100%	\$ 0
6/30/2009	\$ 197,391	100%	\$ 0
6/30/2010	\$ 231,527	90.5%	\$ 21,995

**CERF**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

**Ray County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 6: Retirement Plan (Continued)**

**CERF**

**A. Plan Description**

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

**B. Pension Benefits**

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit by calculating using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for vested employees.

Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, Missouri 65102-2271, or by calling 1-573-632-9203.

**Ray County, Missouri**  
**Notes to Financial Statements**  
**For the Two Years Ended December 31, 2010**

**Note 6: Retirement Plan (Concluded)**

**CERF (Concluded)**

C. Funding Policy

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annual salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2010 and 2009, the County collected and remitted to CERF, employee contributions of approximately \$64,095 and \$57,356 respectively, for the years then ended.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**County Revenue Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ 1,593,000	\$ 1,593,000	\$ 1,665,939	\$ 72,939	\$ 1,720,000	\$ 1,720,000	\$ 1,656,342	\$ (63,658)
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	49,000	49,000	41,421	(7,579)	32,100	32,100	57,461	25,361
Charges for Services	1,717,921	1,717,921	1,830,550	112,629	1,469,522	1,469,522	1,554,824	85,302
Interest Income	1,425	1,425	291	(1,134)	23,280	23,280	1,832	(21,448)
Other	<u>589,828</u>	<u>589,828</u>	<u>395,949</u>	<u>(193,879)</u>	<u>537,712</u>	<u>537,712</u>	<u>587,398</u>	<u>49,686</u>
<b>Total Revenue</b>	<u>3,951,174</u>	<u>3,951,174</u>	<u>3,934,150</u>	<u>(17,024)</u>	<u>3,782,614</u>	<u>3,782,614</u>	<u>3,857,857</u>	<u>75,243</u>
<b>Expenditures:</b>								
County Commission	157,966	157,966	165,651	(7,685)	158,320	158,320	132,635	25,685
County Clerk	121,035	121,035	125,481	(4,446)	120,122	120,122	104,427	15,695
Treasurer	64,958	64,958	88,706	(23,748)	61,611	61,611	61,033	578
Circuit Clerk	75,392	75,392	39,893	35,499	71,496	71,496	67,645	3,851
Sheriff	529,856	529,856	642,936	(113,080)	562,343	562,343	552,821	9,522
County Collector	156,438	156,438	167,729	(11,291)	154,643	154,643	157,888	(3,245)
Prosecuting Attorney	395,596	395,596	415,000	(19,404)	368,774	368,774	352,651	16,123
Recorder of Deeds	105,899	105,899	114,785	(8,886)	103,817	103,817	99,012	4,805
Janitor	53,163	53,163	59,534	(6,371)	51,738	51,738	51,538	200
Coroner	33,532	33,532	33,917	(385)	29,513	29,513	27,436	2,077
Juvenile Officer	26,178	26,178	118	26,060	25,131	25,131	9,304	15,827
Election	68,836	68,836	30,648	38,188	42,779	42,779	30,880	11,899
Planning and Zoning	74,445	74,445	74,998	(553)	62,546	62,546	71,482	(8,936)
Circuit Judge	6,025	6,025	3,676	2,349	6,125	6,125	4,055	2,070
Emergency 911	373,642	373,642	213,570	160,072	221,612	221,612	275,443	(53,831)
Court Reporter	2,500	2,500	1,663	837	2,700	2,700	1,239	1,461
Jail	1,234,003	1,234,003	1,425,971	(191,968)	1,148,937	1,148,937	1,264,444	(115,507)
Buildings and Grounds	237,450	237,450	200,528	36,922	237,450	237,450	148,962	88,488
Public Administrator	92,220	92,220	102,215	(9,995)	85,110	85,110	81,655	3,455
Public Defender	6,082	6,082	5,955	127	10,582	10,582	5,950	4,632
Other	<u>308,496</u>	<u>308,496</u>	<u>183,749</u>	<u>124,747</u>	<u>214,444</u>	<u>214,444</u>	<u>182,837</u>	<u>31,607</u>
<b>Total Expenditures</b>	<u>4,123,712</u>	<u>4,123,712</u>	<u>4,096,723</u>	<u>26,989</u>	<u>3,739,793</u>	<u>3,739,793</u>	<u>3,683,337</u>	<u>56,456</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(172,538)</u>	<u>(172,538)</u>	<u>(162,573)</u>	<u>9,965</u>	<u>42,821</u>	<u>42,821</u>	<u>174,520</u>	<u>131,699</u>
<b>Fund Balance - Beginning of Year</b>	191,878	191,878	191,878	-	17,358	17,358	17,358	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 19,340</u>	<u>\$ 19,340</u>	<u>\$ 29,305</u>	<u>\$ 9,965</u>	<u>\$ 60,179</u>	<u>\$ 60,179</u>	<u>\$ 191,878</u>	<u>\$ 131,699</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Class III Road and Bridge Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	328,000	328,000	331,479	3,479	300,000	300,000	326,233	26,233
Intergovernmental Revenues	877,800	877,800	830,526	(47,274)	721,100	721,100	914,729	193,629
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	650	650	162	(488)	1,000	1,000	663	(337)
Other	<u>30,000</u>	<u>30,000</u>	<u>46,396</u>	<u>16,396</u>	<u>100,000</u>	<u>100,000</u>	<u>56,135</u>	<u>(43,865)</u>
<b>Total Revenue</b>	<u>1,236,450</u>	<u>1,236,450</u>	<u>1,208,563</u>	<u>(27,887)</u>	<u>1,122,100</u>	<u>1,122,100</u>	<u>1,297,760</u>	<u>175,660</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Coroner	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Court Reporter	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Highway and Roads	1,381,246	1,381,246	1,231,518	149,728	1,454,522	1,454,522	1,299,988	154,534
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,381,246</u>	<u>1,381,246</u>	<u>1,231,518</u>	<u>149,728</u>	<u>1,454,522</u>	<u>1,454,522</u>	<u>1,299,988</u>	<u>154,534</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(144,796)</u>	<u>(144,796)</u>	<u>(22,955)</u>	<u>121,841</u>	<u>(332,422)</u>	<u>(332,422)</u>	<u>(2,228)</u>	<u>330,194</u>
<b>Fund Balance - Beginning of Year</b>	144,796	144,796	144,796	-	147,024	147,024	147,024	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,841</u>	<u>\$ 121,841</u>	<u>\$ (185,398)</u>	<u>\$ (185,398)</u>	<u>\$ 144,796</u>	<u>\$ 330,194</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Domestic Violence Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	10	10	13	3	250	250	18	(232)
Other	<u>4,400</u>	<u>4,400</u>	<u>4,899</u>	<u>499</u>	<u>4,240</u>	<u>4,240</u>	<u>4,575</u>	<u>335</u>
<b>Total Revenue</b>	<u>4,410</u>	<u>4,410</u>	<u>4,912</u>	<u>502</u>	<u>4,490</u>	<u>4,490</u>	<u>4,593</u>	<u>103</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Coroner	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Court Reporter	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>4,410</u>	<u>4,410</u>	<u>4,883</u>	<u>(473)</u>	<u>5,800</u>	<u>5,800</u>	<u>4,868</u>	<u>932</u>
<b>Total Expenditures</b>	<u>4,410</u>	<u>4,410</u>	<u>4,883</u>	<u>(473)</u>	<u>5,800</u>	<u>5,800</u>	<u>4,868</u>	<u>932</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>29</u>	<u>29</u>	<u>(1,310)</u>	<u>(1,310)</u>	<u>(275)</u>	<u>1,035</u>
<b>Fund Balance - Beginning of Year</b>	3,202	3,202	3,202	-	3,477	3,477	3,477	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3,202</u>	<u>\$ 3,202</u>	<u>\$ 3,231</u>	<u>\$ 29</u>	<u>\$ 2,167</u>	<u>\$ 2,167</u>	<u>\$ 3,202</u>	<u>\$ 1,035</u>

The accompanying notes to financial statements are an integral part of this statement



**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Tax Sales Surplus Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	10	10	45	35	500	500	63	(437)
Other	<u>100</u>	<u>100</u>	<u>3,397</u>	<u>3,297</u>	<u>100</u>	<u>100</u>	<u>9,046</u>	<u>8,946</u>
<b>Total Revenue</b>	<u>110</u>	<u>110</u>	<u>3,442</u>	<u>3,332</u>	<u>600</u>	<u>600</u>	<u>9,109</u>	<u>8,509</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>7,643</u>	<u>(7,643)</u>	<u>3,000</u>	<u>3,000</u>	<u>6,308</u>	<u>(3,308)</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>7,643</u>	<u>(7,643)</u>	<u>3,000</u>	<u>3,000</u>	<u>6,308</u>	<u>(3,308)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>110</u>	<u>110</u>	<u>(4,201)</u>	<u>(4,311)</u>	<u>(2,400)</u>	<u>(2,400)</u>	<u>2,801</u>	<u>5,201</u>
<b>Fund Balance - Beginning of Year</b>	33,900	33,900	33,900	-	31,099	31,099	31,099	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 34,010</u>	<u>\$ 34,010</u>	<u>\$ 29,699</u>	<u>\$ (4,311)</u>	<u>\$ 28,699</u>	<u>\$ 28,699</u>	<u>\$ 33,900</u>	<u>\$ 5,201</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Recorder User Fee Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>15,000</u>	<u>15,000</u>	<u>12,047</u>	<u>(2,953)</u>	<u>20,000</u>	<u>20,000</u>	<u>13,783</u>	<u>(6,217)</u>
<b>Total Revenue</b>	<u>15,000</u>	<u>15,000</u>	<u>12,047</u>	<u>(2,953)</u>	<u>20,000</u>	<u>20,000</u>	<u>13,783</u>	<u>(6,217)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	20,000	20,000	16,879	3,121	30,000	30,000	12,665	17,335
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>20,000</u>	<u>20,000</u>	<u>16,879</u>	<u>3,121</u>	<u>30,000</u>	<u>30,000</u>	<u>12,665</u>	<u>17,335</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(4,832)</u>	<u>168</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>1,118</u>	<u>11,118</u>
<b>Fund Balance - Beginning of Year</b>	16,264	16,264	16,264	-	15,146	15,146	15,146	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 11,264</u>	<u>\$ 11,264</u>	<u>\$ 11,432</u>	<u>\$ 168</u>	<u>\$ 5,146</u>	<u>\$ 5,146</u>	<u>\$ 16,264</u>	<u>\$ 11,118</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Noxious Weeds Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	110	110	176	66	200	200	243	43
Other	<u>15,000</u>	<u>15,000</u>	<u>5,724</u>	<u>(9,276)</u>	<u>106,000</u>	<u>106,000</u>	<u>114,619</u>	<u>8,619</u>
<b>Total Revenue</b>	<u>15,110</u>	<u>15,110</u>	<u>5,900</u>	<u>(9,210)</u>	<u>106,200</u>	<u>106,200</u>	<u>114,862</u>	<u>8,662</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>42,705</u>	<u>42,705</u>	<u>43,830</u>	<u>(1,125)</u>	<u>62,893</u>	<u>62,893</u>	<u>59,274</u>	<u>3,619</u>
<b>Total Expenditures</b>	<u>42,705</u>	<u>42,705</u>	<u>43,830</u>	<u>(1,125)</u>	<u>62,893</u>	<u>62,893</u>	<u>59,274</u>	<u>3,619</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(27,595)</u>	<u>(27,595)</u>	<u>(37,930)</u>	<u>(10,335)</u>	<u>43,307</u>	<u>43,307</u>	<u>55,588</u>	<u>12,281</u>
<b>Fund Balance - Beginning of Year</b>	135,616	135,616	135,616	-	80,028	80,028	80,028	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 108,021</u>	<u>\$ 108,021</u>	<u>\$ 97,686</u>	<u>\$(10,335)</u>	<u>\$ 123,335</u>	<u>\$ 123,335</u>	<u>\$ 135,616</u>	<u>\$ 12,281</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Emergency Planning Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
<b>Total Revenue</b>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>1,194</u>	<u>1,194</u>	<u>1,194</u>	<u>-</u>	<u>500</u>	<u>500</u>	<u>32</u>	<u>468</u>
<b>Total Expenditures</b>	<u>1,194</u>	<u>1,194</u>	<u>1,194</u>	<u>-</u>	<u>500</u>	<u>500</u>	<u>32</u>	<u>468</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,306</u>	<u>1,306</u>	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>(32)</u>
<b>Fund Balance - Beginning of Year</b>	185	185	185	-	217	217	217	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,491</u>	<u>\$ 1,491</u>	<u>\$ 1,491</u>	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ 217</u>	<u>\$ 185</u>	<u>\$ (32)</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff Post Certification Training Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>1,300</u>	<u>1,300</u>	<u>1,379</u>	<u>79</u>	<u>2,000</u>	<u>2,000</u>	<u>1,273</u>	<u>(727)</u>
<b>Total Revenue</b>	<u>1,300</u>	<u>1,300</u>	<u>1,379</u>	<u>79</u>	<u>2,000</u>	<u>2,000</u>	<u>1,273</u>	<u>(727)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	1,300	1,300	1,379	(79)	2,000	2,000	1,273	727
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,300</u>	<u>1,300</u>	<u>1,379</u>	<u>(79)</u>	<u>2,000</u>	<u>2,000</u>	<u>1,273</u>	<u>727</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	3	3	3	-	3	3	3	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Delinquent Tax Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	400	400	13	(387)	400	400	18	(382)
Other	<u>1,000</u>	<u>1,000</u>	<u>718</u>	<u>(282)</u>	<u>3,500</u>	<u>3,500</u>	<u>970</u>	<u>(2,530)</u>
<b>Total Revenue</b>	<u>1,400</u>	<u>1,400</u>	<u>731</u>	<u>(669)</u>	<u>3,900</u>	<u>3,900</u>	<u>988</u>	<u>(2,912)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	4,000	4,000	3,728	272
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>3,728</u>	<u>272</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,400</u>	<u>1,400</u>	<u>731</u>	<u>(669)</u>	<u>(100)</u>	<u>(100)</u>	<u>(2,740)</u>	<u>(2,640)</u>
<b>Fund Balance - Beginning of Year</b>	1,138	1,138	1,138	-	3,878	3,878	3,878	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,538</u>	<u>\$ 2,538</u>	<u>\$ 1,869</u>	<u>\$ (669)</u>	<u>\$ 3,778</u>	<u>\$ 3,778</u>	<u>\$ 1,138</u>	<u>\$ (2,640)</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff Revolving Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>10,000</u>	<u>10,000</u>	<u>18,853</u>	<u>8,853</u>	<u>9,000</u>	<u>9,000</u>	<u>12,818</u>	<u>3,818</u>
<b>Total Revenue</b>	<u>10,000</u>	<u>10,000</u>	<u>18,853</u>	<u>8,853</u>	<u>9,000</u>	<u>9,000</u>	<u>12,818</u>	<u>3,818</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	10,000	10,000	19,224	(9,224)	6,000	6,000	14,125	(8,125)
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>10,000</u>	<u>10,000</u>	<u>19,224</u>	<u>(9,224)</u>	<u>6,000</u>	<u>6,000</u>	<u>14,125</u>	<u>(8,125)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(371)</u>	<u>(371)</u>	<u>3,000</u>	<u>3,000</u>	<u>(1,307)</u>	<u>(4,307)</u>
<b>Fund Balance - Beginning of Year</b>	2,322	2,322	2,322	-	3,629	3,629	3,629	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,322</u>	<u>\$ 2,322</u>	<u>\$ 1,951</u>	<u>\$ (371)</u>	<u>\$ 6,629</u>	<u>\$ 6,629</u>	<u>\$ 2,322</u>	<u>\$ (4,307)</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff Eradication Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>5,000</u>	<u>5,000</u>	<u>858</u>	<u>(4,142)</u>	<u>5,000</u>	<u>5,000</u>	<u>448</u>	<u>(4,552)</u>
<b>Total Revenue</b>	<u>5,000</u>	<u>5,000</u>	<u>858</u>	<u>(4,142)</u>	<u>5,000</u>	<u>5,000</u>	<u>448</u>	<u>(4,552)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	5,000	5,000	2,629	2,371	5,000	5,000	2,255	2,745
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>5,000</u>	<u>5,000</u>	<u>2,629</u>	<u>2,371</u>	<u>5,000</u>	<u>5,000</u>	<u>2,255</u>	<u>2,745</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(1,771)</u>	<u>(1,771)</u>	<u>-</u>	<u>-</u>	<u>(1,807)</u>	<u>(1,807)</u>
<b>Fund Balance - Beginning of Year</b>	3,102	3,102	3,102	-	4,909	4,909	4,909	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3,102</u>	<u>\$ 3,102</u>	<u>\$ 1,331</u>	<u>\$ (1,771)</u>	<u>\$ 4,909</u>	<u>\$ 4,909</u>	<u>\$ 3,102</u>	<u>\$ (1,807)</u>

The accompanying notes to financial statements are an integral part of this statement



**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Training Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>500</u>	<u>500</u>	<u>886</u>	<u>386</u>	<u>200</u>	<u>200</u>	<u>714</u>	<u>514</u>
<b>Total Revenue</b>	<u>500</u>	<u>500</u>	<u>886</u>	<u>386</u>	<u>200</u>	<u>200</u>	<u>714</u>	<u>514</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	900	900	205	695	900	900	506	394
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>900</u>	<u>900</u>	<u>205</u>	<u>695</u>	<u>900</u>	<u>900</u>	<u>506</u>	<u>394</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(400)</u>	<u>(400)</u>	<u>681</u>	<u>1,081</u>	<u>(700)</u>	<u>(700)</u>	<u>208</u>	<u>908</u>
<b>Fund Balance - Beginning of Year</b>	414	414	414	-	206	206	206	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 1,095</u>	<u>\$ 1,081</u>	<u>\$ (494)</u>	<u>\$ (494)</u>	<u>\$ 414</u>	<u>\$ 908</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff Training Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	2,000	2,000	1,638	(362)	2,000	2,000	2,874	874
Interest Income	-	-	-	-	-	-	-	-
Other	<u>1,200</u>	<u>1,200</u>	<u>1,274</u>	<u>74</u>	<u>-</u>	<u>-</u>	<u>1,273</u>	<u>1,273</u>
<b>Total Revenue</b>	<u>3,200</u>	<u>3,200</u>	<u>2,912</u>	<u>(288)</u>	<u>2,000</u>	<u>2,000</u>	<u>4,147</u>	<u>2,147</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	3,500	3,500	3,196	304	2,000	2,000	3,238	(1,238)
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>3,500</u>	<u>3,500</u>	<u>3,196</u>	<u>304</u>	<u>2,000</u>	<u>2,000</u>	<u>3,238</u>	<u>(1,238)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(300)</u>	<u>(300)</u>	<u>(284)</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>909</u>	<u>909</u>
<b>Fund Balance - Beginning of Year</b>	2,302	2,302	2,302	-	1,393	1,393	1,393	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 2,002</u>	<u>\$ 2,002</u>	<u>\$ 2,018</u>	<u>\$ 16</u>	<u>\$ 1,393</u>	<u>\$ 1,393</u>	<u>\$ 2,302</u>	<u>\$ 909</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**911 Payroll Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	55,381	55,381	55,968	587	52,859	52,859	48,636	(4,223)
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>55,381</u>	<u>55,381</u>	<u>55,968</u>	<u>587</u>	<u>52,859</u>	<u>52,859</u>	<u>48,636</u>	<u>(4,223)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	56,361	56,361	54,992	1,369	52,859	52,859	51,376	1,483
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>56,361</u>	<u>56,361</u>	<u>54,992</u>	<u>1,369</u>	<u>52,859</u>	<u>52,859</u>	<u>51,376</u>	<u>1,483</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(980)</u>	<u>(980)</u>	<u>976</u>	<u>1,956</u>	<u>-</u>	<u>-</u>	<u>(2,740)</u>	<u>(2,740)</u>
<b>Fund Balance - Beginning of Year</b>	1,181	1,181	1,181	-	3,921	3,921	3,921	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 201</u>	<u>\$ 201</u>	<u>\$ 2,157</u>	<u>\$ 1,956</u>	<u>\$ 3,921</u>	<u>\$ 3,921</u>	<u>\$ 1,181</u>	<u>\$ (2,740)</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Law Enforcement Restitution Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>10,000</u>	<u>10,000</u>	<u>16,060</u>	<u>6,060</u>	<u>1,000</u>	<u>1,000</u>	<u>5,294</u>	<u>4,294</u>
<b>Total Revenue</b>	<u>10,000</u>	<u>10,000</u>	<u>16,060</u>	<u>6,060</u>	<u>1,000</u>	<u>1,000</u>	<u>5,294</u>	<u>4,294</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	10,000	10,000	20,055	(10,055)	1,000	1,000	-	1,000
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>10,000</u>	<u>10,000</u>	<u>20,055</u>	<u>(10,055)</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(3,995)</u>	<u>(3,995)</u>	<u>-</u>	<u>-</u>	<u>5,294</u>	<u>5,294</u>
<b>Fund Balance - Beginning of Year</b>	5,294	5,294	5,294	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 5,294</u>	<u>\$ 5,294</u>	<u>\$ 1,299</u>	<u>\$ (3,995)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,294</u>	<u>\$ 5,294</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Assessment Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	286,190	286,190	323,237	37,047	314,790	314,790	291,789	(23,001)
Interest Income	200	200	375	175	200	200	380	180
Other	<u>19,300</u>	<u>19,300</u>	<u>18,296</u>	<u>(1,004)</u>	<u>19,300</u>	<u>19,300</u>	<u>16,199</u>	<u>(3,101)</u>
<b>Total Revenue</b>	<u>305,690</u>	<u>305,690</u>	<u>341,908</u>	<u>36,218</u>	<u>334,290</u>	<u>334,290</u>	<u>308,368</u>	<u>(25,922)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Assessor	340,490	340,490	276,711	63,779	357,970	357,970	308,412	49,558
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>340,490</u>	<u>340,490</u>	<u>276,711</u>	<u>63,779</u>	<u>357,970</u>	<u>357,970</u>	<u>308,412</u>	<u>49,558</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(34,800)</u>	<u>(34,800)</u>	<u>65,197</u>	<u>99,997</u>	<u>(23,680)</u>	<u>(23,680)</u>	<u>(44)</u>	<u>23,636</u>
<b>Fund Balance - Beginning of Year</b>	143,805	143,805	143,805	-	143,849	143,849	143,849	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 109,005</u>	<u>\$ 109,005</u>	<u>\$ 209,002</u>	<u>\$ 99,997</u>	<u>\$ 120,169</u>	<u>\$ 120,169</u>	<u>\$ 143,805</u>	<u>\$ 23,636</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Special County Tax Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ 700,000	\$ 700,000	\$ 722,475	\$ 22,475	\$ 700,000	\$ 700,000	\$ 721,235	\$ 21,235
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	100,000	100,000	38,962	(61,038)	300,000	300,000	216,421	(83,579)
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	250	250	91	(159)	1,500	1,500	468	(1,032)
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>800,250</u>	<u>800,250</u>	<u>761,528</u>	<u>(38,722)</u>	<u>1,001,500</u>	<u>1,001,500</u>	<u>938,124</u>	<u>(63,376)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>849,979</u>	<u>849,979</u>	<u>743,798</u>	<u>106,181</u>	<u>1,248,000</u>	<u>1,248,000</u>	<u>1,134,914</u>	<u>113,086</u>
<b>Total Expenditures</b>	<u>849,979</u>	<u>849,979</u>	<u>743,798</u>	<u>106,181</u>	<u>1,248,000</u>	<u>1,248,000</u>	<u>1,134,914</u>	<u>113,086</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(49,729)</u>	<u>(49,729)</u>	<u>17,730</u>	<u>67,459</u>	<u>(246,500)</u>	<u>(246,500)</u>	<u>(196,790)</u>	<u>49,710</u>
<b>Fund Balance - Beginning of Year</b>	50,260	50,260	50,260	-	247,050	247,050	247,050	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 531</u>	<u>\$ 531</u>	<u>\$ 67,990</u>	<u>\$ 67,459</u>	<u>\$ 550</u>	<u>\$ 550</u>	<u>\$ 50,260</u>	<u>\$ 49,710</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Election 5% Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>3,300</u>	<u>3,300</u>	<u>5,034</u>	<u>1,734</u>	<u>2,000</u>	<u>2,000</u>	<u>1,157</u>	<u>(843)</u>
<b>Total Revenue</b>	<u>3,300</u>	<u>3,300</u>	<u>5,034</u>	<u>1,734</u>	<u>2,000</u>	<u>2,000</u>	<u>1,157</u>	<u>(843)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	3,000	3,000	4,328	(1,328)	2,000	2,000	3,480	(1,480)
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>3,000</u>	<u>3,000</u>	<u>4,328</u>	<u>(1,328)</u>	<u>2,000</u>	<u>2,000</u>	<u>3,480</u>	<u>(1,480)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>300</u>	<u>300</u>	<u>706</u>	<u>406</u>	<u>-</u>	<u>-</u>	<u>(2,323)</u>	<u>(2,323)</u>
<b>Fund Balance - Beginning of Year</b>	11	11	11	-	2,334	2,334	2,334	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 311</u>	<u>\$ 311</u>	<u>\$ 717</u>	<u>\$ 406</u>	<u>\$ 2,334</u>	<u>\$ 2,334</u>	<u>\$ 11</u>	<u>\$ (2,323)</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Sheriff's Account Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>50,000</u>	<u>50,000</u>	<u>35,706</u>	<u>(14,294)</u>	<u>50,000</u>	<u>50,000</u>	<u>39,426</u>	<u>(10,574)</u>
<b>Total Revenue</b>	<u>50,000</u>	<u>50,000</u>	<u>35,706</u>	<u>(14,294)</u>	<u>50,000</u>	<u>50,000</u>	<u>39,426</u>	<u>(10,574)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	50,000	50,000	34,021	15,979	50,000	50,000	43,178	6,822
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>50,000</u>	<u>50,000</u>	<u>34,021</u>	<u>15,979</u>	<u>50,000</u>	<u>50,000</u>	<u>43,178</u>	<u>6,822</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>1,685</u>	<u>1,685</u>	<u>-</u>	<u>-</u>	<u>(3,752)</u>	<u>(3,752)</u>
<b>Fund Balance - Beginning of Year</b>	93	93	93	-	3,845	3,845	3,845	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 93</u>	<u>\$ 93</u>	<u>\$ 1,778</u>	<u>\$ 1,685</u>	<u>\$ 3,845</u>	<u>\$ 3,845</u>	<u>\$ 93</u>	<u>\$ (3,752)</u>

The accompanying notes to financial statements are an integral part of this statement



**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Prosecuting Attorney Bad Check Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>25,000</u>	<u>25,000</u>	<u>23,267</u>	<u>(1,733)</u>	<u>40,000</u>	<u>40,000</u>	<u>26,857</u>	<u>(13,143)</u>
<b>Total Revenue</b>	<u>25,000</u>	<u>25,000</u>	<u>23,267</u>	<u>(1,733)</u>	<u>40,000</u>	<u>40,000</u>	<u>26,857</u>	<u>(13,143)</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	25,000	25,000	26,393	(1,393)	40,000	40,000	23,325	16,675
Recorder of Deeds	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>25,000</u>	<u>25,000</u>	<u>26,393</u>	<u>(1,393)</u>	<u>40,000</u>	<u>40,000</u>	<u>23,325</u>	<u>16,675</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>(3,126)</u>	<u>(3,126)</u>	<u>-</u>	<u>-</u>	<u>3,532</u>	<u>3,532</u>
<b>Fund Balance - Beginning of Year</b>	13,415	13,415	13,415	-	9,883	9,883	9,883	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 13,415</u>	<u>\$ 13,415</u>	<u>\$ 10,289</u>	<u>\$ (3,126)</u>	<u>\$ 9,883</u>	<u>\$ 9,883</u>	<u>\$ 13,415</u>	<u>\$ 3,532</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Tax Maintenance Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>45,000</u>	<u>45,000</u>	<u>42,166</u>	<u>(2,834)</u>	<u>45,000</u>	<u>45,000</u>	<u>49,370</u>	<u>4,370</u>
<b>Total Revenue</b>	<u>45,000</u>	<u>45,000</u>	<u>42,166</u>	<u>(2,834)</u>	<u>45,000</u>	<u>45,000</u>	<u>49,370</u>	<u>4,370</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>45,260</u>	<u>45,260</u>	<u>41,935</u>	<u>3,325</u>	<u>45,260</u>	<u>45,260</u>	<u>52,902</u>	<u>(7,642)</u>
<b>Total Expenditures</b>	<u>45,260</u>	<u>45,260</u>	<u>41,935</u>	<u>3,325</u>	<u>45,260</u>	<u>45,260</u>	<u>52,902</u>	<u>(7,642)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(260)</u>	<u>(260)</u>	<u>231</u>	<u>491</u>	<u>(260)</u>	<u>(260)</u>	<u>(3,532)</u>	<u>(3,272)</u>
<b>Fund Balance - Beginning of Year</b>	11,685	11,685	11,685	-	15,217	15,217	15,217	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 11,425</u>	<u>\$ 11,425</u>	<u>\$ 11,916</u>	<u>\$ 491</u>	<u>\$ 14,957</u>	<u>\$ 14,957</u>	<u>\$ 11,685</u>	<u>\$ (3,272)</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Grants Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 <u>Favorable</u> <u>(Unfavorable)</u>	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	9,000	9,000	156,208	147,208	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>9,000</u>	<u>9,000</u>	<u>156,208</u>	<u>147,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Assessor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>9,000</u>	<u>9,000</u>	<u>156,208</u>	<u>(147,208)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>9,000</u>	<u>9,000</u>	<u>156,208</u>	<u>(147,208)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Ray County Senior Service Levy Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010	Final 2010	Actual	Variance With Final Budget 2010	Original 2009	Final 2009	Actual	Variance With Final Budget 2009
	<u>Budget</u>	<u>Budget</u>	<u>2010</u>	<u>Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>	<u>2009</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	138,167	138,167	130,000	130,000	133,100	3,100
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	130,000	130,000	-	(130,000)	-	-	-	-
Interest Income	-	-	1,244	1,244	-	-	915	915
Other	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<u>130,000</u>	<u>130,000</u>	<u>139,411</u>	<u>9,411</u>	<u>130,000</u>	<u>130,000</u>	<u>134,015</u>	<u>4,015</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Employee Fringe Benefits	-	-	-	-	-	-	-	-
County Treasurer	-	-	-	-	-	-	-	-
County Collector	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Associate Circuit Clerk	-	-	-	-	-	-	-	-
Court Administration	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Highway and Roads	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-
Senior Service Fund	130,000	130,000	105,754	24,246	130,000	130,000	42,893	87,107
Other	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>130,000</u>	<u>130,000</u>	<u>105,754</u>	<u>24,246</u>	<u>130,000</u>	<u>130,000</u>	<u>42,893</u>	<u>87,107</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>33,657</u>	<u>33,657</u>	<u>-</u>	<u>-</u>	<u>91,122</u>	<u>91,122</u>
<b>Fund Balance - Beginning of Year</b>	102,264	102,264	102,264	-	11,142	11,142	11,142	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 102,264</u>	<u>\$ 102,264</u>	<u>\$ 135,921</u>	<u>\$ 33,657</u>	<u>\$ 11,142</u>	<u>\$ 11,142</u>	<u>\$ 102,264</u>	<u>\$ 91,122</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Budgetary Comparison Schedule**  
**Cash Basis**  
**Deputy Sheriff Supplemental Fund**  
**For the Two Years Ended December 31, 2010**

	Original 2010 <u>Budget</u>	Final 2010 <u>Budget</u>	Actual <u>2010</u>	Variance With Final Budget 2010 Favorable (Unfavorable)	Original 2009 <u>Budget</u>	Final 2009 <u>Budget</u>	Actual <u>2009</u>	Variance With Final Budget 2009 Favorable (Unfavorable)
<b>Revenues:</b>								
Taxes - Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - Property	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other	<u>16,000</u>	<u>16,000</u>	<u>18,242</u>	<u>2,242</u>	<u>14,000</u>	<u>14,000</u>	<u>15,638</u>	<u>1,638</u>
<b>Total Revenue</b>	<u>16,000</u>	<u>16,000</u>	<u>18,242</u>	<u>2,242</u>	<u>14,000</u>	<u>14,000</u>	<u>15,638</u>	<u>1,638</u>
<b>Expenditures:</b>								
County Commission	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Treasurer	-	-	-	-	-	-	-	-
Circuit Clerk	-	-	-	-	-	-	-	-
Sheriff	16,000	16,000	18,242	(2,242)	14,000	14,000	15,638	(1,638)
County Collector	-	-	-	-	-	-	-	-
Prosecuting Attorney	-	-	-	-	-	-	-	-
Recorder of Deeds	-	-	-	-	-	-	-	-
Janitor	-	-	-	-	-	-	-	-
Juvenile Officer	-	-	-	-	-	-	-	-
Election	-	-	-	-	-	-	-	-
Planning and Zoning	-	-	-	-	-	-	-	-
Circuit Judge	-	-	-	-	-	-	-	-
Emergency 911	-	-	-	-	-	-	-	-
Jail	-	-	-	-	-	-	-	-
Buildings and Grounds	-	-	-	-	-	-	-	-
Public Administrator	-	-	-	-	-	-	-	-
Public Defender	-	-	-	-	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>16,000</u>	<u>16,000</u>	<u>18,242</u>	<u>(2,242)</u>	<u>14,000</u>	<u>14,000</u>	<u>15,638</u>	<u>(1,638)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Beginning of Year</b>	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement

**Ray County, Missouri**  
**Required Supplementary Information**  
**Schedule of Funding Progress of**  
**Employees Retirement System**  
**(Unaudited)**

REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
2/29/08	\$3,288,375	\$2,957,382	\$ (330,993)	111%	\$2,142,962	
2/28/09	2,600,276	2,967,348	367,072	88%	2,260,728	16%
2/28/10	2,800,525	3,158,302	357,777	89%	2,365,775	15%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**Ray County, Missouri**  
Notes to the Required Supplementary Information  
For the Two Years Ended December 31, 2010

**Note 1: Budgeting and Budgetary Practices**

The County Commissioners and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo, the county budget law.

**Note 2: Budgetary Basis of Accounting**

The County budget is adopted on the cash basis of accounting.

**Note 3: Expenditures in Excess of Appropriations**

For the two years ended December 31, 2010, expenditures exceeded final budget amounts as follows:

	<u>Amount Over Budget</u>	
	<u>2010</u>	<u>2009</u>
Domestic Violence Fund	\$ 473	\$ -
Tax Sales Surplus Fund	\$ 7,643	\$ 3,308
Noxious Weeds Fund	\$ 1,125	\$ -
Sheriff Post Certification Training Fund	\$ 79	\$ -
Sheriff Revolving Fund	\$ 9,224	\$ 8,125
Sheriff Training Fund	\$ -	\$ 1,238
Law Enforcement Restitution Fund	\$ 10,055	\$ -
Election 5% Fund	\$ 1,328	\$ 1,480
Prosecuting Attorney Bad Check Fund	\$ 1,393	\$ -
Tax Maintenance Fund	\$ -	\$ 7,642
Grants Fund	\$ 147,208	\$ -
Deputy Sheriff Supplemental Fund	\$ -	\$ 2,242

**FEDERAL COMPLIANCE SECTION**



**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the County Commission of  
Ray County, Missouri  
Richmond, Missouri

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ray County, Missouri as of and for the two years ended December 31, 2010, which collectively comprise of the County's basic financial statements and have issued my report thereon dated December 30, 2011. In my report, the county prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial  
Statements Performed in Accordance with Government Auditing Standards  
(Concluded)**

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2 that I consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Commissioners, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original signed by auditor

Kevin G. Hudson, C.P.A.  
Certified Public Accountant  
December 30, 2011

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

To the County Commissioners  
Ray County, Missouri  
Richmond, Missouri

**Compliance**

I have audited the compliance of the Ray County, Missouri with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the two years ended December 31, 2010. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. *Those standards and OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the County's compliance with those requirements.

In my opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the two years ended December 31, 2010.

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133  
(Continued)**

**Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance*, is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Original signed by auditor

Kevin G. Hudson, C.P.A.  
Certified Public Accountant  
December 30, 2011

**Ray County, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the Years Ending December 31, 2010 and 2009**

Federal CFDA Number	Federal Grantor/Pass Through Grantor/Program Title	Pass Through Granters Number	Federal Expenditures Year Ended December 31,	
			2010	2009
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Social Services			
14.231	Emergency Shelter Grants Program	ER16410038A	-	50,000
	Total U.S. Department of Housing and Urban Development		-	50,000
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
	Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO- (30)	120,467	-
		BRO-(22)	-	178,552
		BRO-(21)	-	17,374
		BRO-(16)	9,673	129,585
	Total U.S. Department of Transportation		130,140	325,511
	GENERAL SERVICES ADMINISTRATION			
	Passed through state:			
	Office of the Secretary of State			
39.011	Election Reform Payments		5,727	-
	Total General Services Administration		5,727	-
	ELECTION ASSISTANCE COMMISSION			
	Passed through state:			
	Office of the Secretary of State			
90.401	Help America Vote Act Requirements Payments	HAVA	\$ 1,121	\$ 2,150
	Total Election Assistance Commission		1,121	2,150
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	Passed through state Department of Public Safety:			
97.036	Public Assistance Grants	Disaster #1	56,618	72,821
	Total U.S. Department of Homeland Security		56,618	72,821
	Total Expenditures of Federal Awards		\$ 193,606	\$ 450,482

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

**Ray County, Missouri**  
**Notes to the Supplementary Schedule**  
**For the Years Ended December 31, 2010 and 2009**

**Note 1: Summary of Significant Accounting Policies**

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

This schedule includes all federal awards administered by Ray County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of cash awards.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

**Note 2: Subrecipients**

The county provided no federal awards to subrecipients during the years ended December 31, 2010 and 2009.

**Ray County, Missouri**  
Schedule of Findings and Questioned Costs  
Years Ended December 31, 2010 and 2009

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified    Yes   X   No

Significant deficiencies identified    Yes    None

not considered to be material weaknesses? Reported

Noncompliance material to financial statements noted    Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?    Yes   X   No

Significant deficiencies identified    Yes   X   None

not considered to be material weaknesses? Reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)    Yes   X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee    Yes   X   No

**Ray County, Missouri**  
Schedule of Findings and Questioned Costs  
Years Ended December 31, 2010 and 2009

**Section II - Financial Statement Findings**

**2010-1 - Financial Condition of the County Revenue Fund**

The County Revenue Fund is in declining financial condition. The County Revenue Fund balance at December 31, 2010 was \$29,305.

**Recommendations:**

The County needs to focus on improving the financial condition of the County Revenue Fund. Efforts should be made to reduce expenditures and increase revenues where possible. A budget should be prepared reflecting these reduced expenditures and followed and monitored closely throughout the year.

***Auditee's Response***

*The County Commission provided the following responses:*

*1. We are in agreement to do our best to improve our financial condition and prepare budgets that reflect our efforts to improve our financial condition.*

**2010-2 County Budgetary Practices**

The County did not approve both the 2010 and 2009 budgets in a timely manner. The 2009 budget was not approved until July 2009 and the 2010 budget was not approved until April, 2010. Therefore expenditures were being incurred without an operating budget in place.

Section 50.540 RSMo, requires the County Clerk to submit the budget to the County Commission by February 1. Section 50.740, RSMo, states the County shall not pay any expenses, other than payroll, until the finalized county budget is filed with the State Auditor's office. Approving the county budget as close to the beginning of the fiscal year as possible allows the commission and office holders to more effectively monitor county finances.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.



**Ray County, Missouri**  
Schedule of Findings and Questioned Costs  
Years Ended December 31, 2010 and 2009

**Section II - Financial Statement Findings (Continued)**

**2010-2 County Budgetary Practices (Continued)**

The County Commission approved disbursements in excess of budgeted amounts for various funds during the years ending December 31, 2010 and 2009. Further there was no evidence that the County Commission nor the County Clerk monitored disbursements adequately to ensure actual disbursements did not exceed budgeted amounts. Actual expenditures exceeded budgeted amounts in the following funds:

	<u>Amount Over Budget</u>	
	<u>2010</u>	<u>2009</u>
Domestic Violence Fund	\$ 473	\$ -
Tax Sales Surplus Fund	\$ 7,643	\$ 3,308
Noxious Weeds Fund	\$ 1,125	\$ -
Sheriff Post Certification Training Fund	\$ 79	\$ -
Sheriff Revolving Fund	\$ 9,224	\$ 8,125
Sheriff Training Fund	\$ -	\$ 1,238
Law Enforcement Restitution Fund	\$ 10,055	\$ -
Election 5% Fund	\$ 1,328	\$ 1,480
Prosecuting Attorney Bad Check Fund	\$ 1,393	\$ -
Tax Maintenance Fund	\$ -	\$ 7,642
Deputy Sheriff Supplemental Fund	\$ 2,242	\$ 1,638
Grants Fund	\$ 147,208	\$ -

If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

To allow the budgets to be used as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures, valid reasons which necessitate excess disbursements should be provided to support amendments, and public hearings should be held prior to the adoption of all budget amendments.

**Ray County, Missouri**  
Schedule of Findings and Questioned Costs  
Years Ended December 31, 2010 and 2009

**Section II - Financial Statement Findings (Concluded)**

**2010-2 County Budgetary Practices (Concluded)**

**Recommendations:**

The County needs to approve all budgets as close to the beginning of the year as possible and within the February 1<sup>st</sup> deadline. The County needs to make sure that the budget is approved before any expenditure, except for payroll, is incurred.

The County needs to ensure that the expenditures are kept within the amounts budgeted. If additional funds are received or expended which could not be estimated when the budget was adopted, the County Commission should amend the budget by following the procedures established by state law.

***Auditees Response***

*The County Commission provided the following responses:*

- A. Our budget will be prepared as close as possible to the statutory requirements.*
- B. The County Commission will begin monitoring the budget on a monthly basis and amendments will be made on an as needed basis.*

**Section III - Federal Award Findings and Questioned Costs**

This section contains no audit findings that *OMB Circular A-133* requires to be reported for an audit of financial statements.

**Ray County, Missouri**  
**Follow-Up on Prior Audit Findings for an Audit of Financial**  
**Statements Performed in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ray County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2006. There were no prior audit findings that *Government Auditing Standards* requires to have follow up action taken by Ray County, Missouri for the two years ended December 31, 2006.

**Ray County, Missouri**  
**Summary Schedule of Prior Audit Findings In Accordance**  
**with OMB Circular A-133**

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133, requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2006 included the following audit findings.

**Finding 06-1.**

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-089(16) and (19)
Award Years:	2006-2005
Questioned Costs:	None

The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), and as a result, the county's SEFA contained several errors and omissions. Expenditures were understated by approximately \$381,000 and \$85,000 for the years ended December 31, 2006 and 2005, respectively.

Amounts relating to several federal grants were reported incorrectly or not included on the schedule. For example, while the county has participated in the program for years and amounts have been presented in prior audits, Child Support Enforcement grant program expenditures totaling \$45,526 and \$36,171 for 2006 and 2005, respectively, were not reported. For 2006, expenditures of the Highway Planning and Construction program were under reported by \$351,817. Although bridge project expenditures had been properly accumulated, an error was made when entering data onto the SEFA. Also, for 2006, Election Reform Payment program revenues totaling \$74,750 were improperly reported as related expenditures did not occur until 2007. Although the abovementioned errors were the most significant, there were several other smaller programs omitted for both 2006 and 2005. The SEFA also did not include the required pass-through grantor's number for most programs.

**Ray County, Missouri**  
**Summary Schedule of Prior Audit Findings In Accordance**  
**with OMB Circular A-133**

**Finding 06-1. (Concluded)**

In addition, although the county's SEFA for 2003 shows that federal program expenditures exceeded \$300,000, the county did not obtain an audit as required by federal regulations. Given the concerns noted above, it is possible the 2003 SEFA information is not accurate. However, the County Commission should carefully review the SEFA included with each budget document, evaluate amounts for accuracy, and determine whether an audit is required. These procedures and the resulting decision should be documented.

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the county to prepare a SEFA for the period covered by the county's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget. Section .200 of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires non-federal entities that expend \$500,000 (\$300,000 for fiscal years ending before December 31, 2004) or more in a year in federal awards to obtain an audit for that year.

Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. The County Commission and County Clerk should take steps to ensure all federal awards are properly identified and accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

**Recommendation:**

The County Commission and County Clerk work to ensure the SEFA is complete and accurate, and ensure that audits are obtained whenever federal program expenditures exceed the threshold provide by federal regulation.

**Status:**

Implemented.

**Ray County, Missouri**  
**Summary Schedule of Prior Audit Findings In Accordance**  
**with OMB Circular A-133**

**Finding 06-2.**

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-089(16) and (19)
Award Years:	2006-2005
Questioned Costs:	\$70,832

It is unclear whether the county followed statutory requirements when obtaining engineering services totaling approximately \$70,832 for certain bridge projects. A letter to the state Department of Transportation identified the three engineering firms considered by the County Commission, but there was no documentation in the county's records to show the various considerations or criteria used for selecting the firm chosen. The county commissioners indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects. We questioned costs of \$70,832, which represents total engineering costs paid during 2005 and 2006 for projects BRO-089 (16) and (19).

The federal OMB Circular A-102, Common Rule, requires local governments to follow applicable procurement laws. Sections 8.289 and 8.291, RSMo, provide guidance on obtaining, evaluating, and negotiating for such engineering services, and should be followed in order to comply with federal guidelines.

**Recommendation:**

The County Commission obtain information as required by law when contracting for professional services and resolve the questioned costs with the grantor agency.

**Status:**

Implemented.



Thomas A. Schweich  
Missouri State Auditor

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## HIGHER EDUCATION

# Southeast Missouri State University



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February 2012  
Report No. 2012-05

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<http://auditor.mo.gov>



# CITIZENS SUMMARY

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## Findings in the audit of Southeast Missouri State University

Expenditures	The university does not always solicit competitive proposals for professional services and did not retain written agreements for past legal services. Two accounting system users were able to enter and approve their own transactions, increasing the risk of misuse, and the university spent over \$60,000 in a 3-year period for employee recognition purposes which did not appear reasonable or necessary.
Comprehensive Food Policy	The university lacks comprehensive guidelines detailing when it is appropriate to provide food.
Foundation	University personnel have not adequately supported the amounts paid for property lease payments made to the Southeast Missouri University Foundation. The university also subsidizes a significant portion of the foundation's operating expenses, in an apparent violation of the Missouri Constitution.
Administrative Transfers	The university does not maintain documentation supporting transfers to allocate overhead and shared costs, such as costs for using the Show-Me Center and costs for vending administration and legislative relations attributed to the Housing System Fund.
Employment Contracts	The University President has been allowed to accumulate vacation days, for which he can request payment, without restriction, and, as of June 30, 2010, he had accumulated 1,378 hours worth \$128,575. Also, the \$286,300 severance payment to the former men's basketball coach appears excessive.
Credit Card Convenience Fees	The university paid almost \$700,000 in credit card convenience fees over 3 years instead of requiring credit card users to pay these fees.
Closed Meeting Discussions	The university did not document in open meeting minutes the reasons for closing meetings and could not demonstrate how some topics discussed in closed meetings complied with state law.
Use of University Facilities	The university lacks adequate support for the rates charged for use of university facilities, such as the Show-Me Center and the University Center, and the rates charged may be insufficient to cover the costs.
Show-Me Center Receipts	Weak internal controls over Show-Me Center concession receipts made it difficult to determine which employee was responsible when receipts of \$1,908 could not be located.
Taxable Mileage	The taxable mileage reported on employees' W-2 forms is not always adequately supported. None of eight employees we reviewed who were allowed to use dealer- or foundation-provided vehicles for personal usage in 2009 maintained a detailed vehicle usage log, as required by the IRS.



Information Security	The university has not developed an adequate disaster recovery plan to restore computer operations and does not have documented procedures for periodic tests of offsite backup data.
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In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	<p>A \$155,337 Recovery Act: Formula Grants for Other Than Urbanized Areas Shuttle Services grant was received and expended to purchase shuttle buses.</p> <p>A \$1,172,710 Recovery Act: State Fiscal Stabilization Fund Government Services grant was awarded, of which, \$1,137,044 was received and expended through June 30, 2010, for expanding student enrollment in medical or nursing majors and retaining one Nursing Department faculty position, which was retained after the grant ended.</p> <p>A \$7,296,681 Recovery Act: State Fiscal Stabilization Fund Education grant was awarded, of which \$5,199,967 was received and expended through June 30, 2010, for operational expenses and retaining 114.86 Facilities Management and Information Technology positions, which were retained after the grant ended.</p> <p>A \$379,363 Recovery Act: Environmental Asthma Trigger Training in Schools grant was awarded, of which \$4,217 was received and expended through June 30, 2010, for training, providing materials, and funding 1.5 new positions, which were eliminated after the grant ended.</p> <p>A \$61,892 Recovery Act: Federal Work Study grant was received and expended to financially assist eligible postsecondary education students.</p> <p>A \$1,330,000 Recovery Act: Repair and Renovation of Faculty Laboratory Facilities grant was awarded to renovate a lab, but through June 30, 2010, no funds were received or expended.</p> <p>A \$36,019 Recovery Act: Cobra Subsidy Credit was received and expended to subsidize 65 percent of Cobra benefits for terminated employees.</p>
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

<b>Excellent:</b>	The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
<b>Good:</b>	The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
<b>Fair:</b>	The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
<b>Poor:</b>	The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Southeast Missouri State University

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Board of Regents of Southeast Missouri State University  
and  
Dr. Kenneth Dobbins, President  
Southeast Missouri State University  
Cape Girardeau, Missouri

We have audited certain operations of Southeast Missouri State University, in fulfillment of our duties under Chapter 29, RSMo. The university engaged RubinBrown LLP, Certified Public Accountants (CPAs), to audit the university's financial statements for the years ended June 30, 2010 and 2009. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended June 30, 2009, since the year ended June 30, 2010, audit had not been completed at the time we started our audit, and performed other procedures that we considered necessary in the circumstances. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2010, 2009, and 2008. The objectives of our audit were to:

1. Evaluate the university's internal controls over significant management and financial functions.
2. Evaluate the university's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Evaluate selected records and activities of the Southeast Missouri University Foundation.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the university, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the university's management and was not subjected to the procedures applied in our audit of the university.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) weaknesses with select records and procedures of the university's foundation. The accompanying Management Advisory Report presents our findings arising from our audit of Southeast Missouri State University.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Julie Vollmer, CPA, CIA
Audit Staff:	Emily Bias
	Jay Dowell, MBA
	Lacy Miller, M.Acct.

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# Southeast Missouri State University

## Management Advisory Report

### State Auditor's Findings

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#### **1. Expenditures**

The university needs to improve expenditure policies and procedures related to professional services, transaction approvals, and employee recognition awards.

##### **1.1 Professional services**

The university did not always solicit competitive proposals for professional services or enter into written agreements for legal services. Our review of professional service expenditures noted the following:

- The university does not solicit proposals for legal services, which are obtained from several different firms, based on the type of specialized services needed. In addition, the university has not retained written agreements for past legal services. Although the university has engagement letters with each firm, only the most recent letter from each firm is retained by the university. As a result, legal fees totaling \$92,550 were not supported by an engagement letter. The university paid approximately \$656,400 for legal services during the 3 years ended June 30, 2010.
- The university has used the same federal legislative consultant (who is also a former University President) since 2001 without periodically soliciting proposals for this service. Although the university originally selected this consultant through a formal selection process, the university has continued to renew this 1-year contract without periodically requesting or reviewing proposals from other possible vendors. The fee is renegotiated annually when the contract is renewed. The university paid approximately \$325,000 to this consultant during the 3 years ended June 30, 2010.

University Policy OP 05-04 states the university is to follow Chapter 34, RSMo, for bidding requirements and does not specifically address professional services. While professional services, such as attorneys and consultants, are not subject to standard bidding procedures, the university should solicit proposals for professional services to the extent practicable. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the university from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the university to make a better-informed decision to ensure necessary services are obtained from the best-qualified vendor at the lowest and best cost. In addition, written agreements provide the framework necessary to detail the services to be provided and the compensation to be paid.

##### **1.2 Transaction approvals**

Two accounting system users had the authority to enter and approve their own expenditure transactions as of June 30, 2010.



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Southeast Missouri State University  
Management Advisory Report - State Auditor's Finding

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Each user account in the accounting system is assigned certain rights and privileges which include creating and approving transactions. If a user is allowed rights to both create and approve a transaction, and these rights satisfy the rules established for the transaction, the user would be able to create and approve the same transaction without review or additional approval from an independent party.

University personnel stated these users needed these access levels due to the limited number of employees in the accounts payable section. However, by allowing users to potentially approve their own transactions without an independent approval, there is an increased risk that inappropriate or unauthorized transactions may be processed.

### 1.3 Employee recognition

Employee recognition expenditures, totaling at least \$61,300 during the 3 years ended June 30, 2010, do not appear to be reasonable or necessary uses of university funds.

Under the Employee Recognition Program, the university purchases service award gifts for current employees and those retiring with 15 years or more of service. After current university employees have attained 10, 20, 25, 30, 35, 40, and 45 years of service, they receive a 10 karat gold tie pin or pendant with sapphires, rubies, and/or diamonds (depending on the years of service). The cost for each pin/pendant ranges from \$97 to \$225. In addition, retiring employees are given their choice of a wooden rocking chair, stand-alone chair, or gold medallion, with costs ranging from \$329 to \$580. During the 3 years ended June 30, 2010, costs for service awards and retirement gifts totaled approximately \$56,600.

In addition, the university holds an annual employee recognition banquet to present the service awards. Costs for food and program printing associated with the banquets during the 3 years ended June 30, 2010, totaled approximately \$4,700.

These expenditures do not appear necessary or essential to the operation of the university. In addition, University Policy OP 05-06 states university funds should not be used to celebrate events such as holidays, birthdays, going away parties, etc. While there may be some benefit to employee morale through service awards, the university should evaluate whether the benefits justify the cost.

## Recommendations

Southeast Missouri State University:

- 1.1 Ensure competitive proposals are solicited for professional services to the extent practicable and related agreements are retained.



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## Auditee's Response

- 1.2 Ensure accounting system users do not have the ability to approve the transactions they create in the system.
- 1.3 Reevaluate expenditures for recognition awards.
- 1.1 *The University will continue to use a competitive bidding process when required by RSMo. Regarding specific areas included in the report:*
- A. *As stated in the audit report, Chapter 34 RSMo does not require requests for proposals for legal services. Legal counsels are retained based on attorney/firm expertise and performance. Our current legal counsels' rates are at or below reasonable and customary levels. We currently monitor any increases in counsels' rates and will obtain annual letters of engagement in the future as recommended.*
- B. *We issued a request for proposal for the federal legislative consultant as a result of State Auditor Report No. 2000-24, April 19, 2000. The Board annually reviews the legislative consultant's accomplishments in relation to the annual fees. In a variety of ways, the consultant has been part of obtaining over \$56 million in federally-directed projects and grants for the University and University joint projects. As the number of federally-directed projects/grants has been reduced, the legislative consultant's fees have been reduced. Consequently, the consultant's annual fee has been reduced over the last 10 years from \$165,000 to \$95,000 (43% reduction). We believe the annual fee is currently appropriate and will continue to annually review the consultant's performance and annual fee.*
- 1.2 *The University agrees that a formalized review process is needed, and as such a report has been developed detailing invoices entered and approved by the same individual. This report is reviewed by the Controller on a weekly basis. To clarify the finding, the Accounts Payable Department is comprised of three clerks who enter invoices and the Accounts Payable Manager who reviews and approves transactions for payment. During the Accounts Payable Manager's absence, one designated clerk reviews and approves transactions. This department operates with a very small staff and not all absences are scheduled, so it is not possible to have this clerk refrain from entering invoices during the Accounts Payable Manager's absence. The Controller has been spot checking such transactions and, based on the state audit team's comments, no irregularities were found during the audit.*



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1.3 *Recognizing employees for their considerable service to the University is an employee benefit which is an important tradition, a prudent expense, and a reasonable way to show our appreciation for service to our University and its students. As such, the University believes these expenditures are minimal and are appropriate benefit expenses.*

## 2. Comprehensive Food Policy

While it is sometimes necessary to incur food expenditures, the university does not have comprehensive guidelines detailing when providing food is reasonable and appropriate. The only policies relating to food are for travel and unacceptable use of university funds. The travel policy defines a business meal as "a meal in which the primary purpose of the meal is to conduct University business with one or more other persons with whom there is a business interest or relationship" and the purchasing policy defines inappropriate uses of university funds as expenditures "to celebrate events such as holidays, birthdays, going away parties, etc." However, these policies are not detailed and do not discuss guidelines and procedures for appropriate use of university catering mentioned above, or whether in-town meals should be paid for by the university. The university paid its food service provider approximately \$422,000, \$434,000, and \$462,000 for catering services for various camps, workshops, orientation, recruitment, and student events, during fiscal years 2010, 2009, and 2008, respectively.

Considering the extent of university-provided food expenditures, it appears the university should develop comprehensive policies regarding food purchases in an effort to control and reduce these expenditures.

### Recommendation

Southeast Missouri State University consider developing a comprehensive policy regarding university-provided food purchases.

### Auditee's Response

*The University will periodically review food expenditures and Missouri's Office of Administration policy for food purchases as a guide to ascertain if procedural changes regarding University-provided food purchases are needed.*

*University policies are established to provide guidance for responsible administrators to write operating procedures to carry out those policies. Operating procedures outline how activities should be accomplished with as much specificity as possible. However, every possible situation cannot be included in establishing procedures. Consequently, supervisors are empowered to make prudent decisions. After reviewing Missouri's Office of Administration's policy for food purchases sent to us by the state audit team, we believe our procedures regarding the purchase of food are adequate.*





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### 3. Foundation

Principal and interest costs paid on property leased from the university's foundation are not adequately supported. In addition, the university subsidizes some employee salary and benefit costs of the foundation. The Southeast Missouri University Foundation was established in 1983 as a tax-exempt, charitable not-for-profit corporation. Its mission is to assist in the physical and functional development and advancement of Southeast Missouri State University and the performance of the university's educational and charitable functions. The business and affairs of the foundation are managed by a board of directors which includes university officials and members-at-large.

#### 3.1 Property leases

University personnel have not adequately supported the amounts paid for property lease payments made to the foundation. In some instances, the foundation will purchase property at the request of the university because the university cannot execute any real estate transactions (buy or sell) without approval from the state legislature. The foundation will then lease the purchased property to the university to recoup its costs (purchase price plus interest) on an initial lease. After the costs have been recouped, the lease continues with a nominal lease payment (usually \$1 per year). This practice was started in the 1980s and as of June 30, 2010, the university had executed a total of 59 foundation property leases. Fifteen of these properties (25 percent) were in the initial lease phase. The following concerns were noted during the review of foundation property leases:

##### Lease interest

There is no documentation to support the reasonableness of the interest rates charged on the leases. The university usually pays interest of approximately 7 percent on the initial leases for foundation property. Although university officials indicated the interest rate is reasonable, university officials could provide no documentation to show how this rate was determined. The university paid interest of \$295,860 on foundation property leases during the year ended June 30, 2010.

##### Studies or appraisals

For the seven foundation properties with initial leases starting during the 3 years ended June 30, 2010, neither the foundation nor the university obtained appraisals to determine the fair value of the properties purchased. While university personnel indicated they believe the overall amount paid to the foundation for all leased property is reasonable, the university does not have any documentation to support this conclusion. As of June 30, 2010, the foundation had paid approximately \$13.1 million for the 59 properties currently being leased to the university.

Without an independent appraisal of properties purchased, the university has less assurance the price paid is reasonable and represents the fair value of the property acquired.



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### 3.2 Subsidies

The university subsidizes a significant portion of the operating costs of the foundation. This practice may violate provisions of the Missouri Constitution. The university could not quantify the amount of salary and benefit costs actually attributable to foundation activities. However, salary and benefit costs of university employees who spend some of their time on foundation activities totaled \$1.2 million for the 3 years ended June 30, 2010.

The university initially pays all salaries and benefits of the applicable employees, which are then partially reimbursed by the foundation for some employees. The following concerns were noted during a review of 9 of the 33 employees on the foundation's organization chart and website:

- The university does not receive reimbursement from the foundation for the Vice President for University Advancement/Executive Director of the University Foundation, the Coordinator of Annual Fund, or the Coordinator of Stewardship. However, these employees spent at least some of their time working on foundation activities. University officials indicated they could not readily quantify the amount of time spent on foundation or university activities.
- The university receives reimbursement from the foundation for a percentage (ranging from 16 to 65) of salaries of the Director of Planned Giving, the Director of Alumni Relations, and two Directors of Development. However, these percentages have been used since at least 2001 and have not been reevaluated since that time. In addition, university officials indicated they do not have documentation to support these percentages.
- The university receives reimbursement from the foundation of \$6,000 each year for the Vice President of Finance and Administration. This reimbursement amount has been used since 2004 and has not been reevaluated since that time. University officials indicated they do not have documentation to support this amount.
- One employee in the Controller's office performs extensive work for the foundation and university financial activities, but is paid entirely by the university. Several other employees in the Controller's office perform minimal work for the foundation and are paid entirely by the university.

In each instance, university officials indicated employee timesheets do not indicate the hours worked on foundation versus university activities nor has the university performed a time study to serve as a basis for allocating these costs. Therefore, it is unclear exactly how much of each employee's time was related to foundation activities and should have been reimbursed by the foundation.



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The practice of subsidizing the foundation with university funds appears to constitute the granting or lending of public funds to a private entity, which is prohibited by Article III, Section 38(a) and Article III, Section 39(1), Missouri Constitution.

## Recommendations

Southeast Missouri State University:

- 3.1 Ensure interest rates charged on foundation leases are adequately supported, and appraisals are obtained prior to the purchase of property on behalf of the university.
- 3.2 Discontinue the practice of subsidizing salaries and benefits for university employees who perform activities for the foundation. The university employees should track actual time worked for each activity or perform time studies to determine an allocation basis and request reimbursement for the foundation-related costs.

## Auditee's Response

- 3.1 *The University will continue reviewing interest rates for Foundation leases. However, of the 59 properties currently being leased from the Foundation, 19 have buildings on the property and the remainder are acreage. These 19 properties have 426,309 square feet of structure and the average lease cost per square foot is \$1.47. The University believes that a rental rate of \$1.47 per square foot is considerably below market for building rental space. This does not even take into consideration that some of these 19 properties include considerable acreage in addition to building square footage, such as the Agriculture Department farm, which has 251.70 acres and 22,248 square feet of building space. In instances where the Foundation utilizes a bank loan to purchase property, the financial institution conducts either an appraisal or property inspection, based on their requirements.*
- 3.2 *Based on our discussions with the state auditor team, the University Advancement Division will define fundraising activities, perform a time study to determine fundraising allocations, and revise the reimbursement request from the Foundation as needed. However, we also believe that the University has not subsidized the Southeast Missouri University Foundation. In fact, the University received more funds from the Foundation than personnel costs not already reimbursed. As background, the Southeast Missouri University Foundation was established as a 501(c)3 organization to assist in the physical and functional development and advancement of Southeast Missouri State University and the performance of its educational and charitable functions. Many of the University Advancement staff perform duties which are not raising additional funds for operations and scholarships to supplement reduced state*



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*appropriation and tuition and fees. During the period audited, the University was reimbursed over \$800,000 for personnel, and the Foundation received gifts for the University amounting to over \$14.2 million for the past three years (FY08-\$2.6 million, FY09-\$6.3 million, FY10-\$5.3 million). The \$800,000 of reimbursements by the Foundation and the gifts to the Foundation and used by the University far exceed the personnel costs identified during the period audited.*

## 4. Administrative Transfers

Transfers to allocate administrative overhead and shared costs are not adequately supported. In addition, the university does not have documentation to support reductions of administrative overhead transfers.

The university has not recently evaluated its methodologies for calculating the amount of transfers for administrative overhead related to various auxiliary operations.

### Show-Me Center

The university has not documented its basis for transferring amounts for usage (i.e. athletic events, staff meetings, etc.) of the Show-Me Center. During each of the 3 years ended June 30, 2010, \$476,405 was transferred from the General Operating Fund to the Show-Me Center Fund. Transfers are made to allocate salary and benefit costs of the Show-Me Center employees to the appropriate functions. Although the university conducted an analysis of salary and benefits when the Show-Me Center opened in 1987, the university has only adjusted the transfer amount for annual salary adjustments, if applicable, and a periodic reevaluation based on current staffing levels, duties, and usage has not been performed. Therefore, it is unclear if these transfer amounts remain appropriate.

### Residence life

The university has not documented its rationale for transferring \$115,000 annually from the Housing System Fund to other university funds for allocation of vending administration, recycling overhead, and legislative relations costs. Since at least 2005, the university has made annual transfers of \$105,000 and \$7,500 for vending administration and recycling overhead costs to the General Operating Fund, and \$2,500 for legislative relations costs to the Legislative Relations Fund, but does not have any documentation to support the basis for these amounts. In fiscal year 2009, the university also made a \$16,646 transfer to the General Operating Fund for the unspent portion of a budgeted housing position which became vacant in the middle of the year. However, it is unclear why salary of a vacant position should be transferred when it is essentially cost savings and does not represent actual costs paid. Unsupported transfers totaled \$361,646 for fiscal years 2010, 2009, and 2008.

In addition, each year the university performs a calculation to determine the amount of administrative costs to be allocated to the Housing System Fund.



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These costs are for services provided to the housing operations related to the physical plant, routine maintenance, and financial activities, and totaled approximately \$3.9 million for the 3 years ended June 30, 2010. This calculation is based on the percentage of actual maintenance hours used for housing activities and a 1.6 percent fee charged by the university for billing and collecting housing fees (this fee is based on the amount the university pays credit card companies which is a similar service). However, each year the actual transfers for these administrative costs are reduced to a negotiated amount. University officials indicated the transfer amount is negotiated because some employees paid from the Housing System Fund also provide services to the overall university. The amount of this service has not been quantified by the university, so it is unclear if these reductions are appropriate. Negotiated reductions in transfers totaled \$368,462, \$146,341, and \$357,086, in fiscal years 2010, 2009, and 2008, respectively.

Transfers between funds should be supported by adequate documentation to ensure costs are allocated to the appropriate funds. To ensure costs for the housing operations are properly charged to each fund for these shared expenses, the university should base the transfer amounts on documented measures of actual activities which are reasonable and fully cover the costs involved.

## Recommendation

Southeast Missouri State University ensure transfers from auxiliary funds to the General Operating Fund are based on actual activity and are adequately documented. In addition, a periodic comparison of any estimated activity to actual activity should be performed.

## Auditee's Response

*The University will continue reviewing overhead rates on an annual basis. We believe, however, that the current overhead cost transfers from auxiliaries are reasonable considering the services actually accomplished by the University but agree that we should periodically document the overhead rates with actual activities. In the case of the Show Me Center, for example, University functions are over 50% of the activities. In the case of Residence Life, actual facilities maintenance hours are reimbursed plus an amount up to the Mastercard/Visa discount rate as an approximation of the cost to provide billing services.*

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## 5. Employment Contracts

The University President can accumulate vacation days without restriction which could result in a significant cash payment upon his retirement or termination of university employment. In addition, the severance amount paid to the former men's basketball coach appears excessive.

### 5.1 President's accumulated leave

The University President has been allowed to accumulate vacation days without restriction, as provided by his contract, with accumulations to be paid out at his option as vacation buyback or upon retirement or termination. This is in contrast with a university policy which limits university staff to be



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paid a maximum of 30 days (or 240 hours) for unused vacation time upon leaving university employment. As of June 30, 2010, the President's accumulated vacation time had a value of approximately \$128,575 for 1,378 hours of unused vacation leave accrued during his employment with the university. If the President was subject to the same accrual limit as other university employees, his vacation leave payout would be limited to approximately \$22,400.

The university's practice of allowing its president to accrue vacation leave without restriction will result in a significant cash payment when retirement or termination of university employment occurs.

### 5.2 Severance

The severance payment of \$286,300 to the former men's basketball coach appears excessive. The university terminated the contract for various reasons in December 2008, more than 2 years before the contract expired in April 2011, and the coach was paid the remainder of his salary under the contract terms. Although the university's contract with the coach specified various reasons the university could terminate the contract, the contract was not specific enough in several areas.

An administrative contract which allows the university to make good faith determinations for terminating employees with cause is in the best interest of the university and may help avoid unnecessary severance costs and related misunderstandings.

It should be noted that after this severance was paid, the university changed its standard athletic coaching contract to allow the university to terminate a coach with cause if, after reasonable investigation and deliberation, the university makes a good faith determination a coach has engaged in certain behaviors.

### Recommendations

Southeast Missouri State University:

- 5.1 Limit the amount of vacation leave the university president can accumulate to avoid significant costs when that individual retires or terminates employment.
- 5.2 Refrain from paying excessive severance payments.

### Auditee's Response

- 5.1 *The Board of Regents is responsible for hiring and establishing the compensation package for the President. The Board of Regents believes the total compensation package for the President is reasonable considering the accomplishments of the current president, his longevity at Southeast, and comparable salaries of Missouri four-year public university presidents. The current President is the most senior President/Chancellor at Missouri's 13*



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*four-year public universities, and has one of the lowest compensation packages. The comparisons provided to the state audit team showed the President's overall compensation was below the average presidents' compensation and in the lowest quartile. As an incentive for the President to remain at Southeast, the Board used the vacation accrual as a way to provide a low cost incentive rather than offering what some other universities provide their presidents, e.g., paid six months sabbatical at the end of a contract or a fixed amount for completing each year as President. The vacation accrual noted in the audit represented unused vacation accumulated over 13 years.*

*Finally, the finding implies that there will be an unplanned significant cash payment upon the President's retirement. Governmental Accounting Standards Board guidelines requires that every year annual leave balances for all employees are accrued and the liability is shown in the University's financial reports. Therefore, the University has reserved enough cash for accrued vacation balances for all employees so that if retirements or separations occur, significant cash is available to make payments at those times.*

- 5.2 *The coach was terminated without cause and was paid the remainder of his salary under the contract terms. By terminating the coach without cause in December 2008, the university saved 18 months of benefits payments (approximately \$25,000), future contract annuity payments (approximately \$30,000) and social security on the final payment (approximately \$10,000). Also as noted by the auditors, the university changed standard contract language for coaches to allow the university additional flexibility in terminating a coach with cause in the future. This contract language was changed in 2009.*

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## **6. Credit Card Convenience Fees**

The university allows student accounts to be paid with personal credit cards; however, credit card users are not charged a convenience fee to offset the related costs to the university. Currently, credit card fees, which range from approximately 1 to 3 percent of the transaction amount, as well as individual transaction fees of 8 cents to 45 cents per transaction, are absorbed by the university. The university paid approximately \$694,000 in related credit card fees during the 3 years ended June 30, 2010.

According to university personnel, charging credit card convenience fees to students based on a percentage of the total amount charged was considered in 2007. However, at that time, it was discovered this type of convenience fee was not allowed by at least one credit card company, so the university has continued to absorb the related costs. University personnel indicated a



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majority of the students use this specific credit card company, which they believe results in the university receiving more timely payments. No documentation of the 2007 review was retained and no additional analysis has been performed. In addition, 8 of the 12 other public 4-year institutions (including the four campuses of the University of Missouri system) charge convenience fees to credit card users instead of absorbing these costs. These eight institutions only accept certain types of credit cards and seven institutions only allow on-line credit card payments.

Considering the costs of credit card fees paid by the university, the university should reconsider if absorbing these costs outweighs the benefits of not charging credit card convenience fees.

## Recommendation

Southeast Missouri State University should reconsider its decision to absorb credit card convenience fees. In addition, the Board of Regents should ensure detailed documentation is retained of the costs and benefits of charging the related fees.

## Auditee's Response

*We have reviewed the University's procedures regarding credit card service fees in the past and will periodically revisit this issue each time we bid our banking services. Currently, the University receives over \$16 million of payments each year via credit cards (Mastercard/Visa/Discover). We consider credit card fees as a normal cost of operations to provide students/parents/customers another method of payment. Additionally, we have determined that charging a convenience fee would not be appropriate since contractually a convenience fee would require a fixed fee vs. a percentage of the charge. Consequently, a small amount, such as a \$10 bookstore purchase, would be required to pay the same convenience charge as a \$4,000 tuition payment.*

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## 7. Closed Meeting Discussions

The university did not document in the open meeting minutes the reasons for closing meetings. The Board of Regents held numerous closed meetings during 2008, 2009, and 2010. The agendas typically stated the meeting would be closed to discuss legal actions, real estate transactions, personnel issues, and records which are protected from disclosure; however, while in closed session, the Board would sometimes discuss two or three of these topics and not all four as the agendas indicate.

In addition, the university was unable to demonstrate how some topics discussed in closed meeting sessions complied with state law. The following are a few examples of closed meeting discussions which do not appear to be allowed by state law:

- The Board received quarterly reports from its federal lobbyist in closed meetings. University personnel indicated while this discussion may not relate directly to a section of the Sunshine Law, they believe the topics





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discussed could involve disclosing information or individual names which would could adversely affect initiatives or negotiations being pursued by the university or other external agencies.

- The Board discussed the scope of work for a consultant to review the athletic program in closed meetings. University personnel indicated this discussion was allowed to be in closed session because the scope of work was a contractual issue between the Board and its consultant that had legal implications which required discussion with the Board's attorney. However, the closed meeting minutes did not clearly indicate how this discussion had legal implications.
- The Board discussed naming of the River Campus plaza in a closed meeting. University personnel indicated while this discussion may not relate directly to a section of the Sunshine Law, they believe the topic discussed was to recognize individuals which would be made public at an event with the individual present.
- The Board discussed the concept of sharing costs for the dining hall construction with the food service provider in a closed meeting. University personnel indicated this discussion was allowed to be in closed session because this was a contractual issue between the Board and its vendor that had legal implications which required discussion with the Board's attorney. However, the closed meeting minutes did not clearly indicate how this discussion had legal implications.

According to the Sunshine Law, meetings, records, votes, actions, and deliberations of public governmental bodies are to be open to the public unless otherwise provided by law and exceptions should be strictly construed to promote the state's policy of open records. The Sunshine Law, Chapter 610, RSMo, states the specific reasons for the closed meeting shall be voted on at an open meeting and provides public governmental bodies shall not discuss any other business during the closed meeting which differs from the specific reason used to justify such meeting, record, or vote. In addition, the Board of Regents should restrict the discussions in closed meetings to specific topics listed in Chapter 610, RSMo.

## Recommendation

Southeast Missouri State University ensure open meeting minutes and related agendas state the specific reasons for going into closed meetings. In addition, only allowable topics should be discussed in closed meetings.

## Auditee's Response

*The University agrees that motions to go into closed session should only reflect topics actually discussed. Since June 2010, motions to go into closed session have been changed to reflect only topics actually covered in the sessions and protected by the Sunshine Law. However, we believe the topics*



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*identified in the audit report should have been discussed in closed sessions due to personnel issues, contracts, and negotiations of contracts.*

## 8. Use of University Facilities

### Show-Me Center

The rates charged for use of university facilities are not adequately supported and may be insufficient to cover the related costs. The university rents space in the Show-Me Center and University Center to the public for events such as meetings and conventions.

Although the Show-Me Center revised rental rates in July 2009 and October 2008, the university did not retain documentation to support the rates established. The university rents space (such as the main arena, meeting rooms, upper concourse, and exterior space) at the Show-Me Center to private or non-profit entities for an established rental fee. Rental charges for the main arena are currently \$3,000 or 10 to 12 percent of gross ticket sales, depending on the type of event. Most rental charges for the other spaces range from \$20 to \$250. University officials indicated they informally compare Show-Me Center rates against similar entities renting space to ensure they remain comparable, but the related personnel costs, janitorial services, etc., of the university are not considered when setting rental rates. As a result, it is unclear if the rates charged are adequate to cover related costs. The Show-Me Center rental receipts totaled approximately \$467,000 for the 3 years ended June 30, 2010.

### University Center

The university has not revised rental fees for the University Center since 2002. The university rents the ballroom, meeting rooms, lounges, the terrace, and the cafe in the University Center to private or non-profit entities for an established rental fee (ranging from \$40 to \$250 depending on the space). University officials indicated they informally compare rates to similar rental space available in the area to ensure they remain comparable, but the costs to the university for related personnel costs, janitorial services, etc., are not considered when setting rental rates. As a result, the rates charged may not be adequate. The University Center rental receipts totaled over \$28,000 for the 3 years ended June 30, 2010.

A documented, periodic review of fee structures is needed to ensure appropriate rates are charged for university facilities and services.

## Recommendation

Southeast Missouri State University ensure university personnel prepare and maintain thorough and detailed documentation to support and justify rental rates. In addition, fees should be reviewed and adjusted, if needed, on a periodic basis.

## Auditee's Response

*The University will review the rental rates this academic year as part of our budget development process. Each auxiliary, including the Show Me Center and University Center, works with the Budget Director annually to prepare each fiscal year's budget. Part of this budget development process is*



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*analyzing sources of revenue to meet expenditure needs. Rental rates are considered during this budget development process along with other factors such as utilization and cost control. These budgets are presented and approved by the Board of Regents. We agree that periodic review of rental rates (at least every 2-5 years) should be accomplished.*

## 9. Show-Me Center Receipts

Controls over Show-Me Center concession receipts need to be strengthened. As a result of the lack of prenumbered currency and inventory reports and numerous employees who handle monies, one day of receipts in September 2009 totaling \$1,908 were not deposited and could not be located. Because Show-Me Center personnel did not indicate acknowledgement of monies they received from the cashiers for this event, university officials had difficulty determining which employee was responsible when these monies were discovered missing. The Show-Me Center concession sales total approximately \$200,000 annually.

### 9.1 Receipt records

The Show-Me Center does not use prenumbered reports to account for concession stand transactions. The concession stand cashiers receive unnumbered currency and inventory reports and a set amount of cash for their drawers at the beginning of their shifts. The Show-Me Center allows event organizers and/or student organizations to operate these stands. In addition, the number of stands open at each event varies. At the end of their shifts, the concession stand cashiers transmit the reports along with monies in their drawer to the Concessions Manager. The Concessions Manager reconciles the monies on hand and the inventory and currency reports and then consolidates the information on one currency report for the event. However, the Show-Me Center does not have procedures to ensure all cashier drawers and currency and inventory reports are properly submitted to the Concessions Manager at the end of the event for further processing and deposit.

By not ensuring all cashier sessions are accounted for properly, the Show-Me Center has no assurance that all monies are deposited. As a result, in September 2009, one day of receipts, totaling \$1,908, were not deposited and could not be located. To safeguard monies from theft, loss, or misuse, official prenumbered duplicate currency reports should be prepared when cash is initially issued for the various concession stand drawers. This record should be reconciled to amounts transmitted to the Concessions Manager by someone independent of the receipting or collection functions.

### 9.2 Cash controls

Various employees at the Show-Me Center transmit monies to other employees for further processing and have access to the concession receipts prior to deposit of these monies; however, employees do not document acknowledgment of the received monies which have been transmitted from one person to the next and there is no independent reconciliation of source records to deposit documents.



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Cashiers transmit receipts and related reports to the Show-Me Center personnel at the end of their shifts. The Concessions Manager reconciles monies on hand with the inventory and currency reports and then prepares a consolidated currency report for the day. The consolidated report and receipts for the day are placed in the safe until the Box Office Manager prepares the deposit.

Because several employees handle monies and the university does not require acknowledgement of receipt amounts, the Show-Me Center had difficulty determining which employee was responsible for the missing \$1,908.

Employees should acknowledge the amounts turned over to the next individual, to establish a trail of accountability. In addition, an independent reconciliation of the source records to the deposit documents would provide additional assurance that all monies were deposited.

## Recommendation

Southeast Missouri State University review internal controls over cash receipts and make necessary improvements.

## Auditee's Response

*The deficiency noted in the audit was identified to the auditors during their review. The Vice President for Finance and Administration and the Controller have developed better internal controls for cash and receipt handling. In addition, they are monitoring more closely the deposits and performing additional surprise cash counts.*

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## 10. Taxable Mileage

The taxable mileage reported when automobile dealers or the foundation provide vehicles to university employees is not always adequately supported. Although the university requires employees to report information regarding personal and commuting mileage to be included on the employee's W-2 form, vehicle usage logs are not always maintained to support these mileage calculations. As of June 2010, there were 15 foundation owned vehicles and 11 vehicles donated to the foundation which were provided to various university employees for business and personal use.

Our review of the taxable mileage calculations for 8 of the 26 employees who were allowed to use dealer- or foundation-provided vehicles for personal usage in calendar year 2009 noted:

- Two employees estimated personal and commuting usage annually using calendars to determine the number days worked.



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- Four employees used unsupported percentages (ranging from 8 to 25 percent) as a basis for the amount of commuting and personal miles.
- The other two employees calculated the number of commuting miles using the standard work year of 240 days and stated they did not use the vehicles for other personal use.

None of these eight employees maintains a vehicle usage log to document miles driven for official, commuting, and personal use. The IRS reporting guidelines indicate personal and commuting mileage are reportable fringe benefits and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Because procedures have not been established to ensure the IRS regulations are followed, the university may be subject to penalties and/or fines for failure to report all taxable benefits.

## Recommendation

Southeast Missouri State University require usage logs be maintained to differentiate between personal, commuting, and business mileage, and ensure commuting and personal mileage are reported in compliance with IRS requirements.

## Auditee's Response

*The University will establish a required procedure for logging or tracking personal mileage for all dealer-loaned/Foundation vehicles and disseminate those procedures to all individuals who use dealer-loaned/Foundation vehicles.*

## 11. Information Security

The university has not developed an adequate formal disaster recovery plan or performed documented periodic tests of offsite backup data.

### 11.1 Disaster recovery plan

An adequate disaster recovery plan has not been developed to help ensure the university can promptly restore computer operations in the event of a natural disaster or other disruptive event.

The current disaster recovery plan provides broad information without providing any procedures for implementing disaster recovery. For example, the plan states the backup material stored offsite should be tested annually for completeness, but does not explain what material should be stored offsite or how the material should be tested. In addition, the plan does not include a prioritized list of critical systems or detailed procedures for restoring these systems, nor does the plan identify key personnel or specific responsibilities for carrying out the disaster recovery plan. According to university officials, the annual review of the backup material is performed; however, this annual review is not documented.



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Southeast Missouri State University  
Management Advisory Report - State Auditor's Finding

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A comprehensive written disaster recovery plan should include plans for a variety of situations and specify detailed recovery actions required to reestablish critical computer operations. In the case of a disaster or other disruptive event, such documentation can reduce confusion and provide a framework for the uninterrupted continuance of operations. Once a disaster recovery plan has been developed and approved, the plan should be periodically tested and reviewed.

## 11.2 Backups

The university does not have documented procedures for periodic tests of offsite backup data. Employees have not documented which files have been tested or how often tests are performed. As a result, management does not have assurance all critical backup data could be successfully restored in the event of a disaster or disruption in service. A university official stated some files have been successfully restored which management believes indicates the reliability of backups. However, without performing periodic tests of backup data, management cannot be assured critical systems can be restored if necessary.

## Recommendations

Southeast Missouri State University:

- 11.1 Develop a comprehensive disaster recovery plan and periodically test and evaluate the plan.
- 11.2 Establish and document procedures used to periodically test backup data to ensure media reliability and information integrity.

## Auditee's Response

- 11.1 *The University's Information Technology Department will develop a disaster recovery plan which will include an alternative site recovery operation.*
- 11.2 *Procedures will be developed for testing the off-site backup recovery system as described in 11.1 above.*

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# Southeast Missouri State University

## Organization and Statistical Information

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Southeast Missouri State University (Southeast), located in Cape Girardeau, Missouri, was founded in 1873 as the Southeast Missouri State Normal School. The school's primary purpose was the preparation of teachers for the public school systems in southeast Missouri. Over the years, the school expanded beyond teacher education to include other institutional and graduate programs through a diverse offering of over 150 academic programs. Along with these academic changes, the school's name changed from the Southeast Missouri State Normal School, to Southeast Missouri State Teachers College in 1919, to Southeast Missouri State College in 1946, and finally to Southeast Missouri State University in 1973. Today Southeast is a diverse university providing a broad array of instructional, research, and service programs.

As of June 30, 2010, Southeast operated campuses at four locations in addition to the main campus located in Cape Girardeau. These other campuses are located in Malden, Sikeston, and Kennett. Classes are also offered at the Perryville Higher Education Center in Perryville, through a cooperative partnership agreement with Mineral Area College. In the fall of 2010, 2009, and 2008, the university's combined fall student enrollment at the main campus and all extended campus locations totaled 11,112, 10,859, and 10,814, respectively. These figures include both undergraduate and graduate students enrolled full or part-time.

The university employed approximately 2,847 full-time, part-time, temporary, and student employees, including 5 executives, 739 staff, 411 faculty, 499 temporary employees, and 1,193 student employees as of June 30, 2010.

The university is governed by a seven-member Board of Regents, appointed by the Governor, with the advice and consent of the Missouri Senate. A current Southeast student sits on the board as a non-voting member. The board members serve 6-year terms and the student representative serves a 2-year term. These individuals serve without compensation; however, they receive reimbursement for any expenses incurred in performing their duties.

### Board of Regents

The Board of Regents as of June 30, 2010, consisted of the following members:

Name	Position	Term Ends
Donald "Brad" Bedell	President	January 2013
Albert M. Spradling III	Vice President	January 2011
Reginald Dickson	Board Member	January 2011
James P. Limbaugh	Board Member	January 2013
Doyle Privett	Board Member	January 2015
Daren Todd	Board Member	January 2015
Brian P. Kelly	Student Representative	January 2012



## Southeast Missouri State University Organization and Statistical Information

The Board of Regents appoints a President to serve as the university's Chief Executive Officer. Three Vice Presidents and one Provost have been appointed to oversee the areas of University Advancement and Foundation, Enrollment Management and Student Success, Finance and Administration, and Academic Affairs.

### Top Appointed Positions

The individuals who served in these top administrative positions and their annual compensation as of June 30, 2010, were as follows:

Name	Position	Compensation
Kenneth Dobbins	President	\$ 249,109 (1)
William Holland	Vice President - University Advancement and Foundation Director	130,000 (2)
Dennis Holt	Vice President - Enrollment Management and Student Success	132,000
Kathy Mangels	Vice President - Finance and Administration	142,000 (3)
Ronald Rosati	Provost	175,000 (4)

- (1) Includes \$194,109 salary, \$30,000 housing allowance, and \$25,000 annuity. In addition to these amounts, a foundation-owned vehicle was provided for his personal and business use, with a calendar year 2009 taxable benefit valued at \$700.
- (2) In addition to this amount, a foundation-owned vehicle was provided for his personal and business use, with a calendar year 2009 taxable benefit of \$555. He served as Interim Executive Director of Development and Director-Corporate Relations until attaining his current position in July 2009.
- (3) Includes \$132,000 base salary, \$6,000 annuity, and \$4,000 additional salary for other duties. In addition to these amounts, \$5,077 was paid to this individual for vacation buyback during fiscal year 2010.
- (4) Includes \$155,000 salary and \$20,000 annuity. He started employment as Provost in February 2010.

### American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

According to university personnel, the university was awarded stimulus funding from the American Recovery and Reinvestment Act of 2009, as follows:

A \$155,337 Recovery Act: Formula Grants for Other Than Urbanized Areas - Shuttle Services grant was awarded by the U.S. Department of Transportation and passed through by the Missouri Department of Transportation for the purchase of shuttle buses. As of June 30, 2010, \$155,337 was received and expended by the university related to this grant.

A \$1,172,710 Recovery Act: State Fiscal Stabilization Fund - Government Services grant was awarded by the U.S. Department of Education and passed through by the Missouri Department of Higher Education for the support of postsecondary education which has been used for retaining one Nursing Department faculty position and to expand student enrollment in medical or nursing majors. State appropriations were reduced by the grant amount during the grant period. The grant did not require this position be maintained after the grant ended in June 2010; however it was retained. As of June 30, 2010, \$1,137,044 was received and expended by the university related to this grant.





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Southeast Missouri State University  
Organization and Statistical Information

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A \$7,296,681 Recovery Act: State Fiscal Stabilization Fund - Education grant was awarded by the U.S. Department of Education and passed through by the Missouri Department of Higher Education for the support of postsecondary education. The funding has been used for operational expenses and retaining 114.86 Facilities Management and Information Technology positions. Operational expenses included software licensing and computer hardware and software. State appropriations were reduced by the grant amount during the grant period. The grant did not require these positions be maintained after June 2011; however, they were retained due to state appropriations being sufficient to sustain them. As of June 30, 2010, \$5,199,967 was expended and received by the university related to this grant.

A \$379,363 Recovery Act: Environmental Asthma Trigger Training in Schools grant was awarded by the U.S. Department of Education to pay for developing training and providing assessment kits for county local public health agencies staff, as well as developing educational materials for childcare facilities and families with asthmatic children. The university must provide technical assistance to entities benefiting from this grant and analyze data collected and reported. This grant funded 1.5 new positions at the university. The grant did not require these positions be maintained after August 2011, and these positions were eliminated after the grant period. As of June 30, 2010, \$4,217 was received and expended by the university related to this grant.

A \$61,892 Recovery Act: Federal Work Study grant was awarded by the U.S. Department of Education to provide financial assistance to eligible students attending institutions of postsecondary education. As of June 30, 2010, \$61,892 was received and expended by the university related to this grant.

A \$1,330,000 Recovery Act: Repair and Renovation of Faculty Laboratory Facilities grant was awarded by the National Science Foundation to partially pay for the repair and renovation of a chemistry lab in Magill Hall. As of June 30, 2010, no funds had yet been received or expended by the university related to this grant.

A \$36,019 Recovery Act: Cobra Subsidy Credit was awarded by the U.S. Department of Labor to subsidize 65 percent of Cobra benefits for involuntarily terminated employees between September 1, 2008, and December 31, 2009. As of June 30, 2010, \$36,019 was received and expended by the university related to this grant.

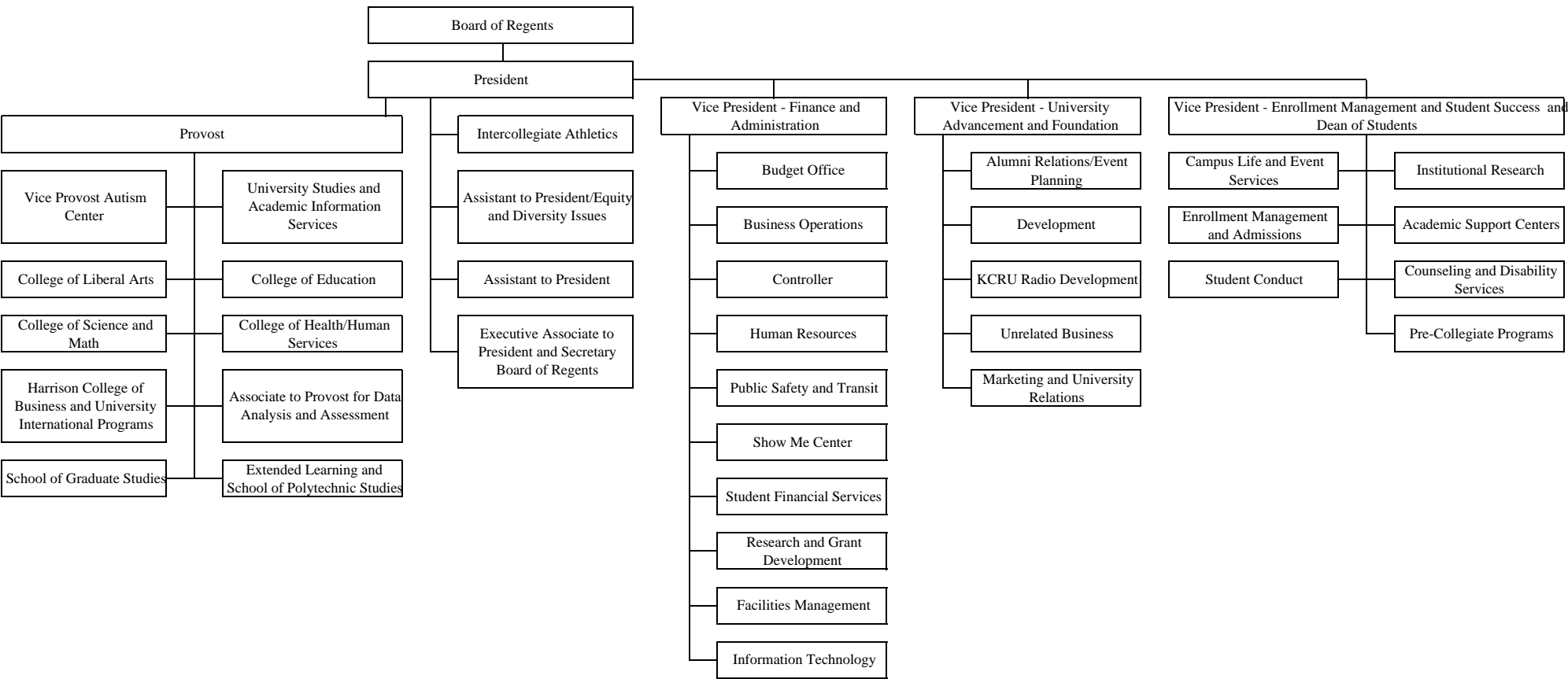
Financial information and an organization chart follow:

# Appendix A

## Southeast Missouri State University Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30,		
	2010	2009	2008
<b>OPERATING REVENUES</b>			
Student tuition and fees (net scholarship allowances)	\$ 54,649,748	52,840,536	49,753,322
Federal grants	8,248,556	6,312,522	16,364,365
State grants and contracts	6,494,697	7,153,357	5,792,062
Nongovernmental operating grants and contracts	1,756,738	729,455	923,755
Sales and services of educational departments	2,569,506	2,498,118	2,489,366
Auxiliary enterprises:			
Residence life (net scholarship allowances)	14,135,533	13,898,064	12,971,946
Other auxiliary (net scholarship allowances)	9,662,395	9,342,267	9,640,929
Other operating revenue	3,565,263	4,219,494	3,625,275
Total Operating Revenues	<u>101,082,436</u>	<u>96,993,813</u>	<u>101,561,020</u>
<b>OPERATING EXPENSES</b>			
Personal services	84,262,031	84,330,774	81,219,042
Scholarships	26,246,897	23,403,203	21,011,760
Utilities	3,536,114	3,811,264	3,447,800
Supplies and other services	30,605,533	28,809,721	28,816,700
Depreciation	9,155,837	9,833,285	8,096,915
Other postemployment benefit expense	108,357	26,550	387,370
Total Operating Expenses	<u>153,914,769</u>	<u>150,214,797</u>	<u>142,979,587</u>
Operating Loss	<u>(52,832,333)</u>	<u>(53,220,984)</u>	<u>(41,418,567)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
State appropriations	48,587,885	47,469,311	46,024,911
Federal grants	12,748,893	7,997,854	-
Investment income (loss)	2,883,641	4,691,703	3,383,448
Contributions and gifts	2,747,335	2,366,833	2,664,921
Interest on capital asset-related debt	(4,791,136)	(3,658,558)	(4,084,302)
Loss on disposal of plant facilities	(531,106)	(117,663)	(166,691)
Total Nonoperating Revenues (Expenses)	<u>61,645,512</u>	<u>58,749,480</u>	<u>47,822,287</u>
Income before other revenues, expenses, gains, or losses	<u>8,813,179</u>	<u>5,528,496</u>	<u>6,403,720</u>
Capital appropriations	2,019,161	1,252,646	16,713,000
Capital grants and gifts	2,396,180	1,581,089	12,699,324
Total other revenues, expenses, gains and losses	<u>4,415,341</u>	<u>2,833,735</u>	<u>29,412,324</u>
INCREASE IN NET ASSETS	13,228,520	8,362,231	35,816,044
NET ASSETS, Beginning of Year	<u>268,744,475</u>	<u>260,382,244</u>	<u>224,566,200</u>
NET ASSETS, End of Year	<u>\$ 281,972,995</u>	<u>268,744,475</u>	<u>260,382,244</u>

Source: Southeast Missouri State University's audited financial statements. The financial statements of the foundation are not included.





# Thomas A. Schweich

Missouri State Auditor

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## Nodaway County

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February 2012  
Report No. 2012-04



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Nodaway County

Mileage and Fuel Use	<p>Fuel purchases and fuel use are not adequately monitored. The total amount spent on fuel increased 46 percent from 2009 to 2010. The road and bridge department maintains bulk fuel purchase records but does not reconcile them to fuel use records, the Assessor's office does not maintain mileage and fuel logs for its vehicle, and neither the Sheriff's department nor the road and bridge department reconciles mileage and fuel logs to the amount of fuel purchased. The County Clerk cannot verify the amount due on fuel card statements before making payment, because Sheriff's employees do not give the fuel purchase receipts to the County Clerk.</p>
Recorder of Deeds Accounting Controls and Procedures	<p>The Recorder of Deeds is not charging copy fees in compliance with the written fee schedule and is not charging everyone the same fee or giving everyone equal access to electronic records. Pursuant to an oral agreement, the Recorder provides services at a monthly rate to one local abstract company, rather than \$1 per copy charged to other companies, and provides the same company electronic records of all recorded documents on CD at no additional charge. State law requires all county agreements to be in writing and requires the Recorder to collect, in all cases, every fee, charge or money due the recorder's office. The Recorder should establish procedures to ensure rates charged and services provided are consistent for all companies. In addition, the numerical sequence of receipt numbers assigned by the software system are not accounted for properly, voided transactions are not properly reviewed, and the Recorder periodically issues manual receipt slips which are not reconciled to the system, making it difficult to ensure all monies received are properly recorded and deposited.</p>
Sheriff's Accounting Controls and Procedures	<p>The Sheriff does not turn over commissary commissions to the county treasury, as required by state law. Instead, the Sheriff used \$865 of these funds to purchase tasers, but because this purchase was not handled through the normal county procurement and budget process, it was not approved by the County Commission. Accounting duties are not adequately segregated and oversight of the accounting functions is not provided by the Sheriff or another independent person. Adequate segregation of duties or documented supervisory reviews help ensure all transactions are accounted for properly and assets are properly safeguarded. State law requires all contracts of the county be in writing, but the county does not have written contracts for it arrangements to board prisoners of other political subdivisions or to board its prisoners with other political subdivisions.</p>

Closed Meetings	The County Commission did not maintain official minutes for two closed meetings held in 2009, as required by the Sunshine Law.
Senate Bill 40 Board	The Senate Bill 40 Board did not prepare monthly bank reconciliations, making it more difficult to detect and correct errors.
Senior Citizens Service Board	The Senior Citizens Service Board does not have written contracts with the entities to which it provides funding, as required by state law. In addition, it does not obtain and review financial reports documenting how the funds are spent, so it cannot ensure funds are disbursed properly and used in compliance with state law.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	Nodaway County did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our website: <http://auditor.mo.gov>**

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# Nodaway County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Nodaway County

We have audited certain operations of Nodaway County in fulfillment of our duties under Section 29.230, RSMo. In addition, McBride, Lock & Associates, Certified Public Accountants, has been engaged to audit the financial statements of Nodaway County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.



For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Nodaway County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Karla Swift, MBA

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# Nodaway County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Mileage and Fuel Use**

Records and monitoring of fuel purchases and use are not adequate. Accounting records indicate fuel purchases totaling approximately \$74,800, \$90,490, and \$3,190 were made by the Sheriff's department, road and bridge department, and Assessor's office, respectively, during the 2 years ended December 31, 2010. Total fuel purchases increased from approximately \$68,000 in 2009 to \$100,000 in 2010, a 46 percent increase.

Fuel is purchased by the Sheriff's department by fuel card and on account with a local oil company. The road and bridge department purchases bulk fuel to dispense from bulk tanks located at the county barn. The Assessor purchases fuel on account with a local oil company. We noted the following concerns with mileage, fuel records, and monitoring of fuel use:

- Bulk fuel purchase records maintained by the road and bridge department are not reconciled to fuel use records.
- Mileage and fuel logs are not maintained for the Assessor's office vehicle, and, as a result, fuel use is not reconciled to fuel purchases.
- While mileage and fuel logs are maintained for Sheriff's department and road and bridge department vehicles, the logs are not used to reconcile fuel purchased to mileage to determine if fuel purchases are reasonable.
- Sheriff's department employees do not submit receipts for fuel purchased by fuel card. As a result, the County Clerk is not able to reconcile supporting documentation to the fuel card statements and the statements are paid without review of supporting documentation.

Procedures for reviewing fuel use and reconciling fuel purchased to related records are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Mileage and fuel logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include sufficient information to determine reasonableness of miles driven and allow reconciliations of fuel use to fuel purchases. Failure to document and monitor fuel use could result in loss, theft, or misuse going undetected.

Similar conditions were noted in our prior report.

#### **Recommendation**

The County Commission, Sheriff, and Assessor require logs for all vehicles. These logs should be reviewed and reconciled to fuel purchases and any significant discrepancies investigated. In addition, fuel card receipts should be submitted and the County Clerk should reconcile supporting documentation to fuel card statements before payment.



Nodaway County  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The County Commission provided the following response:*

*We are currently receiving mileage fuel reports for road and bridge vehicles and equipment, and will make some minor adjustments to those reports to allow us to better monitor fuel use.*

*The Sheriff provided the following written response:*

*When the bill is sent from MFA Oil at the end of the month the purchases are separated by each individual card and are vehicle specific. Each purchase shows date, gallons and fuel type. These are also logged by the person getting the fuel in the book that is kept in each vehicle. The logs are periodically checked by the Sheriff but have never been initialed. The Sheriff will begin initialing logs to indicate that they have been reviewed.*

*The Assessor provided the following response:*

*Effective January 1, 2012, a use log will be maintained and fuel use will be recorded in the log.*

## 2. Recorder of Deeds' Accounting Controls and Procedures

The Recorder of Deeds charges a reduced monthly rate for copies and provides electronic records of all recorded documents to one company and does not provide similar rates or services to other companies. In addition, the Recorder of Deeds does not account for the numerical sequence of receipt slips to ensure receipts are properly recorded.

### 2.1 Copy fees

The Recorder is not charging fees equitably and in compliance with the written fee schedule. The Recorder provides services at lower rates to one local abstract company than to other companies, such as banks and law firms. In addition, the agreement in place with the abstract company is not in writing. The oral agreement with the abstract company allows the company to pay a flat monthly fee for copies and be provided electronic records of all recorded documents on compact disk (CD) at no additional charge. All other companies are charged \$1 per copy for documents and none of the other companies are provided similar electronic records. The Recorder negotiated an increase in the monthly charge for copies from \$50 to \$100 per month in 2009, but the amount charged for records to this company is still considerably less than would be collected if it were charged similarly to other companies. The abstract company received approximately 22,000 copies and 24 CDs in 2010 for \$1,200, instead of the \$22,000 that would have been charged to others.

Section 59.250.2, RSMo, states it shall be the duty of the recorder of deeds to charge, receive, and collect in all cases every fee, charge, or money due the recorder's office. Section 59.310.6, RSMo, states recorders of deeds



## Nodaway County Management Advisory Report - State Auditor's Findings

shall be allowed fees for their services for copying or reproducing any recorded instrument. The Recorder of Deeds should establish procedures to ensure rates charged and services provided are consistent for all companies and cover the cost of providing the service. In addition, Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. Written contracts are necessary to specify the services to be performed along with the compensation for those services, provide a means for the Recorder to monitor compliance with the contract terms, and protect the county and Recorder in the event of a dispute over the terms of the agreement.

### 2.2 Receipts

The numerical sequence of receipt numbers assigned by the computer system is not accounted for properly and voided transactions are not properly reviewed. The computer system assigns a sequential receipt number and generates a receipt slip each time a payment is entered. Some receipt numbers are voided or discarded (transactions ended before completed). Reports detailing each receipt number issued, including discarded and voided receipt numbers, are not generated or reviewed to account for the numerical sequence of receipt slips and to review voided transactions. In addition, the Recorder of Deeds periodically issues unnumbered manual receipt slips before entering transactions into the system. These manual receipt slips are not reconciled to the system to ensure all receipts are entered. Without accounting for the numerical sequence of receipt slips, reviewing voided transactions, and reconciling manual receipt slips to system records, the Recorder of Deeds cannot ensure all monies received are properly recorded and deposited.

### Recommendations

The Recorder of Deeds:

- 2.1 Collect in all cases every fee, charge, or amounts due according to law, provide equitable services, and charge equitable rates to all companies. In addition, the Recorder of Deeds should enter into written contracts as required by state law.
- 2.2 Establish procedures to account for the numerical sequence of receipt numbers, review voided transactions, and reconcile manual receipt slips to system records.

### Auditee's Response

*The Recorder of Deeds provided the following responses:*

- 2.1 *Effective March 1, 2012, my office will provide electronic access to our records for a monthly fee of \$250, and this arrangement will be available to any company or individual. Hard copies of documents will still be available for \$1 per page.*
- 2.2 *I agree and will implement this recommendation immediately.*



Nodaway County  
Management Advisory Report - State Auditor's Findings

### **3. Sheriff's Accounting Controls and Procedures**

#### **3.1 Commissary income**

Commissary commissions are not turned over to the county treasury as required by state law. In addition, accounting duties are not adequately segregated, and the Sheriff does not have written agreements for housing inmates. The Sheriff's department collected monies totaling approximately \$194,700 and \$706,800 during the years ended December 31, 2010 and 2009, respectively.

The Sheriff maintains commissary commissions outside the county treasury and uses these monies to purchase items for the department. The Sheriff's department contracted with an outside company to provide commissary items to inmates and retains 25 percent of sales as commissions. The commissions earned are deposited in the Sheriff's commissary account and are not subsequently turned over to the County Treasurer. The commissary account was opened in July 2010. Commissions from commissary sales of approximately \$940 were held in the account as of December 21, 2010. These commissions were used to purchase tasers in March 2011, at a cost of \$865. This purchase was not approved by the County Commission and was not handled through the normal county procurement and budget process.

There is no statutory authority allowing the Sheriff to hold county monies outside of the county treasury. Section 50.370, RSMo, requires every county official who receives fees for official services to pay such monies monthly to the County Treasurer. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states sheriffs are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

#### **3.2 Segregation of duties**

Accounting duties are not adequately segregated. While monies may be receipted by various employees within the Sheriff's department, the primary accounting duties for commissary, prisoner board, and general accounts are divided between two administrative assistants. The Sheriff's administrative assistants are responsible for receipting, recording, depositing monies received, preparing and signing checks, and reconciling bank statements for their respective accounts. The Sheriff does not review the accounting records.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff or a designated individual should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews would help ensure financial records are properly maintained and help detect errors on a timely basis.



Nodaway County  
Management Advisory Report - State Auditor's Findings

**3.3 Prisoner board contracts** The county houses prisoners for various political subdivisions, and boards some county prisoners with other political subdivisions, but does not have written contracts with these entities. During 2010 and 2009, the county received \$198,884 and \$139,609, respectively, in prisoner board payments. The county also paid \$1,270 and \$23,134 in 2010 and 2009, respectively, to other entities to house prisoners. In addition, the Sheriff has an oral agreement with Holt County to house each other's prisoners at no cost.

Section 432.070, RSMo, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. In addition to being required by statute, written contracts are necessary to document the duties and responsibilities of each party.

## Recommendations

The Sheriff:

- 3.1 Disburse all commissions to the County Treasurer monthly.
- 3.2 Adequately segregate accounting duties or, at a minimum, ensure periodic independent reviews of the accounting records are performed and documented.
- 3.3 Enter into written contracts as required by state law. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid.

## Auditee's Response

*The Sheriff provided the following written responses:*

- 3.1 *The commissary account is maintained by the Sheriff's Office and proceeds are used to purchase necessary items for the jail. While there is some controversy about this account, there are no plans to change how the commissary operates until I have obtained further advice from counsel.*
- 3.2 *The monies that are deposited by the administrative staff are currently monitored by various offices. The monies are typically collected as bond, concealed carry permits, and certain Sheriff's sales. Most of those collected are verified by either the Circuit Clerk or County Treasurer. It does however leave room for mistakes so beginning with the January 2012 statements, these records will be reviewed by the Undersheriff or Sheriff.*
- 3.3 *While in 2010 the county collected \$198,884 in revenues from housing prisoners, approximately \$170,000 was received from people sentenced to the Nodaway County Jail. The remainder was from other agencies with the largest being the City of Maryville at*



Nodaway County  
Management Advisory Report - State Auditor's Findings

*approximately \$12,000. The Sheriff's Office will draft a contract to be signed by the agencies that commonly use this jail and will plan to have those in place by April 1, 2012.*

## 4. Closed Meetings

The County Commission held two closed meetings in 2009 and official minutes of the meetings were not maintained, as required by state law. Without minutes of the closed meetings, we cannot determine whether discussion was limited to the topics cited as the reason for closing the meetings.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings.

### Recommendation

The County Commission ensure minutes are prepared and retained for all closed meetings.

### Auditee's Response

*The County Commission provided the following response:*

*We will keep minutes for closed meetings in the future.*

## 5. Senate Bill 40 Board

The Senate Bill 40 Board did not prepare monthly bank reconciliations. The Board collected property taxes and interest totaling approximately \$161,000 and \$141,200 during the years ended December 31, 2010 and 2009, respectively.

We performed a bank reconciliation as of December 31, 2010, and determined there was a \$25 difference between the year-end cash balance in the financial records and the ending bank balance. The difference was due to a \$175 check recorded in the check register but not deducted from the balance and a \$212 deposit recorded as only \$12 in the register.

Timely preparation of monthly bank reconciliations are necessary to ensure bank accounts are in agreement with accounting records and to detect and correct errors.

### Recommendation

The Senate Bill 40 Board prepare bank reconciliations on a monthly basis. Any differences between accounting records and reconciliations should be investigated, and supporting documentation for adjustments and reconciliations should be maintained.

### Auditee's Response

*The Senate Bill 40 Board provided the following response:*

*We agree and will ensure bank reconciliations are done monthly in the future and differences investigated, if necessary.*



Nodaway County  
Management Advisory Report - State Auditor's Findings

## 6. Senior Citizens Service Board

The Senior Citizens Service Board does not have written contracts with the entities to which it provides funding and does not adequately monitor the monies provided. In accordance with Section 67.990, RSMo, the Senior Citizens Service Board provides funding from the proceeds of a property tax levy for goods and services to the senior citizens of Nodaway County. The Board distributed a total of \$130,000 and \$150,000, in 2010 and 2009, respectively, to nine organizations including a senior center, nutrition sites, health care providers, and transportation companies.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstanding. In addition, to ensure the funds are properly disbursed and used in compliance with Section 67.990, RSMo, financial reports documenting how funds are spent should be obtained and reviewed by the Board.

### Recommendation

The Senior Citizens Service Board enter into written contracts for all funding requests that clearly detail services to be performed and the compensation to be paid or benefits received, and require these entities to provide financial reports documenting how funds are spent.

### Auditee's Response

*The Senior Citizens Service Board provided the following written response:*

*The Board will attempt to get contracts in place with the entities receiving distributions for 2012 (2011 tax dollars), and will include monitoring criteria in those contracts.*



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# Nodaway County

## Organization and Statistical Information

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Nodaway County is a township-organized, third-class county. The county seat is Maryville.

Nodaway County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 46 full-time employees and 6 part-time employees on December 31, 2010. The townships maintain county roads.

In addition, county operations include the Senate Bill 40 Board and Senior Citizens Services Board.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
Joseph Baumli, Presiding Commissioner	\$	39,407
Robert Stiens, Associate Commissioner		37,154
Robert P. Westfall, Associate Commissioner		37,154
Sandra L. Smail, Recorder of Deeds		56,294
Beth Walker, County Clerk		56,294
David A. Baird, Prosecuting Attorney		109,366
Darren White, Sheriff		62,398
Vince Shelby, County Coroner		18,991
Diane Thompsen, Public Administrator		33,912
Marilyn K. Jenkins, Collector-Treasurer (1), year ended March 31,	70,148	
Rex L. Wallace, County Assessor, year ended August 31,		55,726

(1) Includes \$13,681 of commissions earned for collecting city property taxes.

### Financing Arrangements

The county entered into a lease purchase agreement in June 2008, and obtained a loan of \$4,550,000 to build the Administrative Building. As of December 31, 2010, the amount outstanding was \$4,191,387. The loan is scheduled to be paid in monthly installments of \$29,652 over 240 months with an interest rate of 4.85 percent annually. The final payment is scheduled for May 1, 2028.



Nodaway County  
Organization and Statistical Information

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American Recovery and  
Reinvestment Act of 2009  
(Federal Stimulus)

Nodaway County did not receive any federal stimulus monies during the 2 years ended December 31, 2010.



**Thomas A. Schweich**  
Missouri State Auditor

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# Twenty-First Judicial Circuit

## City of Brentwood Municipal Division

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January 2012  
Report No. 2012-03



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Twenty-First Judicial Circuit, City of Brentwood Municipal Division

Segregation of Duties	Accounting duties are not adequately segregated, which increases the risk of loss or misuse of funds. If proper segregation cannot be achieved because of limited court personnel, the court administrator should expand her supervisory reviews. At a minimum, a documented independent review of the municipal division records should be conducted.
Liabilities	The list of outstanding bonds is not reconciled to the bond account balance, so there is little assurance bond monies are accounted for properly. As of December 31, 2011, the bond account contained \$580 more than the total of bonds outstanding, which the City Finance Officer indicated might be due to interest earned on the bond account, but she had no supporting documentation to explain the difference. Unidentified differences should be investigated and addressed immediately.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Twenty-First Judicial Circuit, City of Brentwood Municipal Division did not receive any federal stimulus monies during the audited time period.
--	---

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

<b>Excellent:</b>	The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
<b>Good:</b>	The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
<b>Fair:</b>	The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
<b>Poor:</b>	The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our website: <http://auditor.mo.gov>

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# Twenty-First Judicial Circuit

## City of Brentwood Municipal Division

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Presiding Judge  
Twenty-First Judicial Circuit  
and  
Municipal Judge  
Brentwood, Missouri

We have audited certain operations of the City of Brentwood Municipal Division of the Twenty-First Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls and (2) no significant noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Brentwood Municipal Division of the Twenty-First Judicial Circuit.

A petition audit of the City of Brentwood, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Carl Zilch, Jr., CIA

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# Twenty-First Judicial Circuit

## City of Brentwood Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Segregation of Duties**

Accounting duties are not adequately segregated, which increases the risk of error and loss of funds. There are three part-time employees and the court administrator in the municipal division and each has access to the entire court system, which includes collecting, recording, and depositing fines and court costs received. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the court clerks. The court administrator reviews deposits prepared by the staff in total; however, she does not review reconciliations of the composition of receipt slips to the composition of deposits, or records indicating the numerical sequence of manual receipt slips issued on court night. In addition, receipts and deposits processed by the court administrator are not independently reviewed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. However, if proper segregation of duties cannot be achieved due to limited staff, the court administrator should expand her supervisory reviews to include procedures such as a periodic comparison of the composition of receipt slips to the composition of deposits and a review of the numerical sequence of manual receipts. At a minimum, there should be a documented independent review of the municipal division records.

#### **Recommendation**

The City of Brentwood Municipal Division segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of work performed is necessary.

#### **Auditee's Response**

*The Municipal Judge and Court Administrator provided the following written response:*

*The Audit Report noted that because of limited court personnel, all personnel have been trained in the entire court system which in part includes receiving payments of fines/court costs and issuing receipts; recording transactions into the computer database; depositing fines and costs received. These duties have not been segregated between court personnel because the limited number working at any given time does not permit segregation. All transactions have been reviewed and balanced against each bank deposit by the Court Administrator and reviewed informally by a member of the City's Finance Department. While the audit confirms there has been no loss or misuse of court funds, the court has agreed, as recommended to adopt a formal documented review within the court with each bank deposit. A member of the Finance Department, independent of the court, will also perform a documented review to safeguard against possible future loss or misuse of funds.*





Twenty-First Judicial Circuit  
City of Brentwood Municipal Division  
Management Advisory Report - State Auditor's Findings

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## 2. Liabilities

While a list of outstanding bonds is maintained on the municipal division computer system, the list is not reconciled to the bond account balance. As a result, there is little assurance bond monies are accounted for properly. The bond account had a reconciled bank balance of \$16,480 as of December 31, 2011, and the list of outstanding bonds for December 31, 2011, totaled \$15,900, resulting in a difference of \$580. The City Finance Officer performs the bank reconciliation on the bond account and indicated she believes the difference is interest earned in the bond account, but she is unable to produce documentation of this.

To ensure accounting records are in balance and monies held in trust are sufficient to meet the payment of all liabilities, a list of liabilities identified at each month-end should be reconciled to bank account balances. Such reconciliations would allow for prompt detection of errors. Unidentified differences should be investigated immediately and appropriate action taken.

## Recommendation

The City of Brentwood Municipal Division work with the city to reconcile month-end liabilities to the bond bank account balance. Any differences should be investigated.

## Auditee's Response

*The Municipal Judge and Court Administrator provided the following written response:*

*The Audit found that the Courts outstanding bond account and Finance Departments records concurred and showed outstanding bonds as of December 31, 2011 totaling \$15,900. The Bond Bank Account maintained by the Finance Department however had a surplus of \$580. The Finance Department believed these surplus funds to be interest earned on this account. When verified to be interest, these funds will be transferred to the City's General Funds. As recommended by the Audit Report, in the future, the Court and Finance Department will reconcile month end Bond liabilities to the bond bank account balance.*

---

# Twenty-First Judicial Circuit

## City of Brentwood Municipal Division

### Organization and Statistical Information

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The City of Brentwood Municipal Division is in the Twenty-First Judicial Circuit, which consists of St. Louis County. The Honorable Maura McShane serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

#### Personnel

At December 31, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	E. Ronald Hill
Chief Court Administrator	Carol Moses

#### Financial and Caseload Information

	Year Ended December 31, 2011
Receipts	\$479,415
Number of cases filed	5,908

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Brentwood Municipal Division did not receive any federal stimulus monies during the year ended December 31, 2011.



# *Missouri*

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



**STATE OF MISSOURI**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**

*Fiscal Year Ended June 30, 2011*



**JEREMIAH W. (JAY) NIXON**  
*Governor*

**KELVIN L. SIMMONS**  
*Commissioner*  
*Office of Administration*

**STACY NEAL**  
*Director*  
*Division of Accounting*

***On the Cover:***

Alley Spring, Ozark National Scenic Riverways

*Courtesy of Division of Tourism*

This report can be viewed on the Internet at <http://www.ozark-mo.gov/acct/cafrfy2011/index.htm>

STATE OF MISSOURI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011

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*The **Introductory Section** includes material to familiarize the reader with the organizational structure of the State, the nature and scope of services the State provides, and a summary of the financial activities of the State and the factors that influence these activities.*

**Jeremiah W. (Jay) Nixon**  
Governor



**Kelvin L. Simmons**  
Commissioner

State of Missouri  
**OFFICE OF ADMINISTRATION**  
Division of Accounting  
570 Truman Building, 301 West High Street  
Post Office Box 809  
Jefferson City, Missouri 65102  
(573) 751-2971  
**INTERNET:** <http://www.oa.mo.gov/acct>  
**E-MAIL:** [acctmail@oa.mo.gov](mailto:acctmail@oa.mo.gov)

**Stacy Neal**  
Director

January 25, 2012

The Honorable Jeremiah W. (Jay) Nixon  
The Honorable Members of the Legislature  
Citizens of the State of Missouri

In accordance with generally accepted accounting principles, I submit to you the Comprehensive Annual Financial Report (CAFR) of the State of Missouri for the fiscal year ended June 30, 2011. This report was prepared by the Office of Administration, Division of Accounting, whose management is responsible for its contents.

The report is prepared to show the financial position and operating results of the State. The State's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit. We believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial activities have been included.

An annual audit of the basic financial statements is completed each year by the State Auditor's Office. The State Auditor conducts the audit in accordance with generally accepted government auditing standards, and his opinion has been included in this report. The State Auditor conducts a "Single Audit" of all federal funds in accordance with the Federal Single Audit Act of 1984, and the U.S. Office of Management and Budget Circular A-133, "Audit of State and Local Governments and Non-Profit Organizations."

A narrative introduction, overview, and analysis of the basic financial statements is presented in the *Management's Discussion and Analysis (MD&A)* section of this report. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

## **PROFILE OF THE GOVERNMENT**

Missouri was organized as a territory in 1812 and was the second state (after Louisiana) of the Louisiana Purchase to be admitted to the Union. Statehood was granted on August 10, 1821, making Missouri the 24th state. The State encompasses 68,945 square miles.

The State operates under three branches of government: executive, legislative, and judicial. The executive branch consists of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, and Attorney General. The legislative branch consists of 34 members of the Senate and 163 members of the House of Representatives. The judicial branch is a three-tier court system: the Supreme Court, the State's highest court, has statewide jurisdiction; a court of appeals that consists of districts established by the General Assembly; and a system of circuit courts that has original jurisdiction over all cases and matters, civil and criminal.

The State provides a range of services in the areas of agriculture, education, health and social services, transportation systems, public safety, judicial systems, economic development, conservation and natural resources, labor relations, and general administration.

The State operates on a legally adopted budget in order to ensure compliance with legal provisions embodied in the annual appropriated budget passed by the General Assembly and approved by the Governor prior to the beginning of the fiscal year. If appropriations are not sufficient for a fiscal year, supplemental amounts are requested during the next legislative session by the same process that original appropriations are requested. Budgets are established at the program level. Expenditures cannot exceed the individual appropriation amount. The Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met. Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation year.

The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State is financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

## ECONOMIC CONDITION AND OUTLOOK

### State Economy

Missouri continues to recover from the national recession, which began in 2007, and ended in summer 2009. Unfortunately, the recovery has been sluggish, hampered by European fiscal troubles, domestic government cutbacks, higher gasoline prices, and adverse weather events at home and abroad. Even though the economic environment continues to be challenging, key economic statistics are showing improvement. Missouri's personal income increased 2.6% in 2010 after declining the previous year and has shown a small amount of growth in 2011. Missouri's employment stood at 2.66 million in June 2011, 12,900 more than in June 2010. The State's seasonally adjusted unemployment rate improved to 8.8% in June 2011, compared to 9.5% one year earlier. The national rate was 9.2% in June 2011.



Source: Missouri Economic Research and Information Center/RealtyTrac

Improving Missouri's business climate and generating new jobs continues to be a statewide focus and three laws recently passed in 2011 should aid that goal. First, Senate Bill 19 passed which eliminates the corporate franchise tax over a phase out period of 5 years. The elimination of the franchise tax is expected to reduce general revenue collections up to \$126 million based on continued historic growth rates. Increased economic activity generated by this tax reduction is expected to help offset any loss of revenue collections. These provisions also apply to the bank franchise tax. The change to banks may result in an increase in the bank tax however, because banking institutions use the amount of the bank franchise tax as a credit to reduce their bank tax.

Second, House Bill 45 which changes the definition of a small business was approved. Under the new law, a small business is a business with less than 50 employees rather than 25 employees. The bill authorizes an income tax deduction for small businesses of \$10,000 for each new full-time job created or \$20,000 for each full-time job created if the business offers health insurance and pays at least 50% of health insurance premiums. The income tax deduction is effective for tax years 2011 through 2014. The small business income tax deduction is expected to reduce general revenue collections by \$10.7 million to \$21.4 million each year however, increased economic activity generated by this tax reduction may help offset the loss of revenue collections.

Finally, House Bill 163 changes the maximum duration of regular unemployment benefits from 26 weeks to 20 weeks. This results in an annual savings of \$108 million to Missouri's Unemployment Compensation Trust Fund. The bill also revised state statutes to allow Missouri to continue to participate in the 100% federal reimbursement of extended benefits authorized in the federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

### **Long-Term Financial Planning**

Missouri continues to focus on controlling the growth of mandatory programs though cost-effective alternatives and cost containment initiatives while improving the delivery of services though administrative efficiencies. The State is actively pursuing opportunities to consolidate functions and thrive in a period of reduced financial resources. These initiatives cross all areas of state government and are too numerous to list completely in this document. One example is the downsizing of the state workforce by over 3,300 positions. Other examples follow.

The State has actively engaged in reducing its physical footprint by reducing and consolidating leased space. These efforts include maximizing the use of state-owned property as well as re-evaluating regional and local offices to ensure the efficient use of state resources. This has led to the elimination of over 360,000 square feet of leased space. The State has also reduced heating and cooling costs through various efforts to improve the energy efficiency of state offices.

The state pension plan for new State employees was changed effective January 1, 2011. All new State employees will be required to contribute towards the cost of their retirement plan, the minimum age for retirement was increased, and other changes were enacted to reduce costs by over \$500 million over the next 20 years.

Another major focus of the State has been to ensure its health care services are provided in a cost effective manner. These efforts have included helping individuals with multiple chronic conditions better manage their health. By focusing on preventative measures for these high cost individuals, the State can reduce costs and improve health care outcomes for State employees and Medicaid recipients.

In addition, the Missouri Department of Transportation (MoDOT) recently announced the Bolder Five Year Direction plan which provides another example of how Missouri is changing the way services are provided. When fully implemented, MoDOT will reduce its staff by 1,200 positions, reduce its physical locations by 135, and reduce its equipment by 740 pieces. The Plan is expected to free up an average of \$117 million per year which will be redirected to statewide transportation needs.

In addition to improving the efficiency of government, the State is actively pursuing opportunities to capitalize on historically low interest rates. In July 2010, the State refunded outstanding water pollution control, stormwater control, and fourth state building general obligation bonds for economic savings. When finalized, the bond sale produced budgetary savings of \$36.8 million in fiscal year 2011, cash savings of \$19.5 million over the life of the bonds, and present value savings of 11.1 %. Subsequent bond sales have been completed including:

	<u>FY 12 Budgetary Savings</u>	<u>PV Savings</u>	<u>Date Sold</u>
COPS Refunding	\$12.2 million	8.45%	May 2011
BPB Refunding	\$26.2 million	13.40%	September 2011
MU Arena Refunding	\$200,000	14.18%	November 2011

A comprehensive review of all outstanding debt is currently occurring to ensure all opportunities to save State resources are fully explored.

### **Relevant Financial Policies**

Article X, Sections 16–24 of the Constitution of Missouri (the “Tax Limitation Amendment”), imposes a limit on the amount of taxes that may be imposed by the General Assembly in any fiscal year. This limit is tied to total state revenues for fiscal year 1981, as defined in the Tax Limitation Amendment and adjusted annually based on a formula which is tied to increases in the personal income of Missouri for certain designated periods. If the revenue limit is exceeded by one percent or more in any fiscal year, the excess revenue will be refunded based on the liability reported on state income tax returns. If the excess revenue collected is less than one percent of the revenue limit, the excess revenue shall be transferred to the General Revenue Fund.

The revenue limit can be exceeded by a constitutional amendment duly adopted by the people or if the General Assembly approves by a two-thirds vote an emergency declaration by the Governor. Strong economic growth resulted in revenues above the total state revenue limit in fiscal years 1995–1999. The State has refunded to income taxpayers \$979 million in excess revenue for these fiscal years. The revenue limit was not exceeded in fiscal years 2000 through 2011, inclusive. The State is currently \$4.4 billion below the limit and does not expect the limit to be exceeded in fiscal year 2012.

### **Major Initiatives**

Cost-effective alternatives and streamlining government functions will continue to be the focus on controlling the growth of mandatory programs. Operating funding priorities are focused in the areas of education and jobs.

Missouri has invested in capital assets in fiscal year 2011 with expenditures of \$165.2 million (\$33.2 million general revenue) for maintenance and new construction projects throughout the State and appropriated \$132.1 million (\$89.6 million general revenue) in fiscal year 2012. In addition, Missouri invested \$1.4 billion in fiscal year 2011 and an estimated \$1.2 billion in fiscal year 2012 for road and bridge construction and maintenance, as part of a long-range plan to improve the State’s highway and bridge infrastructure using state gasoline tax revenues, tax revenues on motor vehicle sales, and federal matching/stimulus dollars.

**Education.** Despite economic challenges, education remains a top priority for Missouri. House Bill 223 was passed and creates Advanced Placement (AP) Incentive Grant Program and the Nursing Education Incentive Program. The purpose of the AP program is to entice high school students to math and science courses in order to generate better prepared students that pursue post secondary degrees in science, technology, engineering, and mathematics. The estimated annual cost is less than \$100,000. To address the increased nursing needs statewide, the Nursing Education program provides for approximately 13 full-time faculty positions at public four-year institutions with a nursing program. The State Board of Nursing has agreed to donate \$1 million per year for three years for this program.

**Healthcare.** House Bill 412 was passed and extends the sunset of the Missouri (MO) Rx Program to August 28, 2014. The program provides prescription drug assistance to qualifying Medicare beneficiaries through coordination with Medicare’s (Part D) Prescription Drug Program. The MO Rx program covers over 225,000 Missourians and pays 50% of deductibles, co-pays, and the coverage gap (often referred to as the donut hole). Annual appropriations to support the MO Rx Program are \$19.6 million.

**Economic Development.** In October 2011, an agreement was signed between the State and China to increase exports to China by \$100 million over the next three years. During 2010, Missouri exported a total of \$987.4 million in goods to China and \$773 million was exported during the first eight months of 2011, which was an increase of more than 25% over the same period in 2010. In addition, there are numerous Missouri businesses that plan to close deals with Chinese customers during the trade mission for an additional \$100 million. The intent of the investment agreement is to create jobs in Missouri and improve the state's economy.

## ACKNOWLEDGEMENTS

While the Office of Administration, Division of Accounting, is responsible for the contents of this report, no one division could do it alone. Many people were involved in the compilation of materials necessary to complete the report.

We want to issue a special thanks to all the personnel at the State agencies who provided us with information quickly and accurately so that we could issue the CAFR in a timely manner. We also owe thanks to the professionalism and dedication demonstrated by technical and management personnel within the State Auditor's Office, the State Treasurer's Office, Office of Administration, Information Technology Services Division, and the State Printing Center. We appreciate all their efforts.

Sincerely,

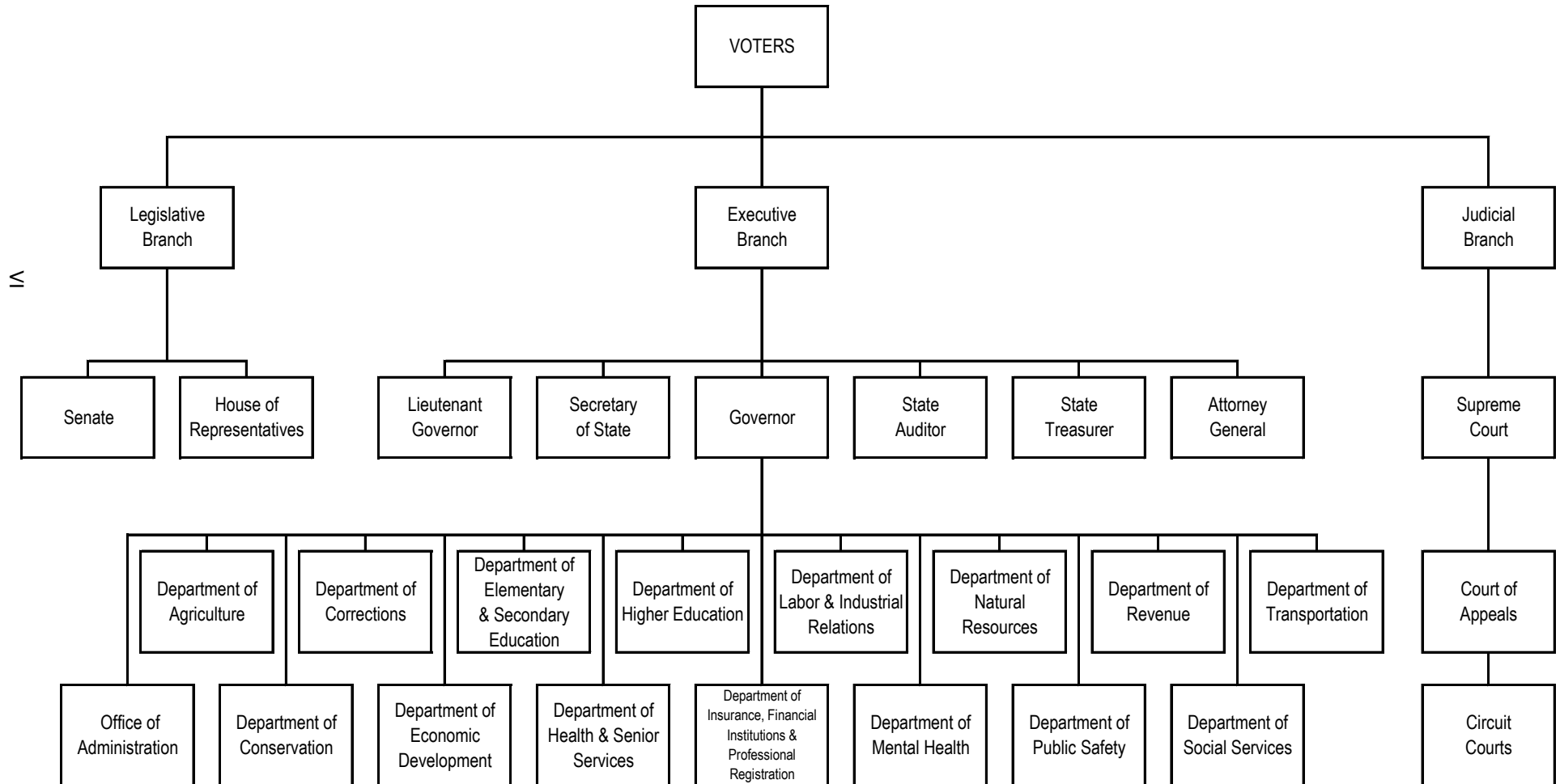
A handwritten signature in black ink that reads "Stacy Neal". The signature is written in a cursive, flowing style.

Stacy Neal, CPA  
Director

# STATE OF MISSOURI

## ORGANIZATIONAL CHART

June 30, 2011



**STATE OF MISSOURI  
PRINCIPAL STATE OFFICIALS  
as of June 30, 2011**

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**EXECUTIVE**

**Jeremiah W. (Jay) Nixon**  
*Governor*

**Peter Kinder**  
*Lieutenant Governor*

**Robin Carnahan**  
*Secretary of State*

**Tom Schweich**  
*State Auditor*

**Clint Zweifel**  
*State Treasurer*

**Chris Koster**  
*Attorney General*

**LEGISLATIVE**

**Robert Mayer**  
*President Pro Tem of the Senate*

**Steven Tilley**  
*Speaker of the House of Representatives*

**JUDICIAL**

**William Ray Price, Jr.**  
*Chief Justice of the Supreme Court*





*The **Financial Section** includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and Supplementary Information.*



# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

### **INDEPENDENT AUDITOR'S REPORT**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2011, which collectively comprise the state's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain entities that comprise the state of Missouri. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors. Those entities were:

1. The Missouri Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation identified in Note 1A.; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan; which represent 77 percent and 14 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 36 percent of the assets and revenues, respectively, of the business-type activities.
3. The discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board, a discretely presented component unit; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Director of Revenue's interpretation of the decision rendered by the Missouri Supreme Court in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). Approximately 22 percent of governmental activity revenues and 26 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate auditing procedures as to the income tax revenue beyond the amounts recorded.

In our opinion, based on our audit and the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been allowed access to tax returns and related source documents for income taxes, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 59, *Financial Instruments Omnibus*; and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

In accordance with *Government Auditing Standards*, our report dated January 25, 2012, on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, and except for the effects, if any, of the matter discussed in paragraph four, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information in the introductory and statistical sections, as listed in the table of contents, has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

January 25, 2012



*The Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the State.*

# Management's Discussion and Analysis

The following is a discussion and analysis of the State of Missouri's (State's) financial activities for the fiscal year ended June 30, 2011. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

## FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

### Government–Wide:

- *Net Assets.* Assets of the State of Missouri exceeded liabilities at the close of fiscal year 2011 by \$29.4 billion. Of the \$29.4 billion, “unrestricted net assets” is reported as a negative \$1.6 billion, offset by \$4.4 billion in “restricted net assets”. A positive balance in unrestricted net assets would represent the amount available to be used to meet the government's ongoing operations.
- *Changes in Net Assets.* The State's total net assets increased by \$956.2 million in fiscal year 2011. Net assets for governmental-type activities increased by \$982.4 million.
- *Excess of Revenues over (under) Expenses.* During fiscal year 2011, the State's total revenues of \$26.5 billion were \$956.2 million greater than total expenses of \$25.6 billion (excluding transfers). Of these expenses, \$16.3 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$10.2 billion.

### Fund–Level:

- *Governmental Funds – Fund Balance.* At the close of fiscal year 2011, the State's governmental fund assets exceeded liabilities by \$5.2 billion, an increase of \$386.2 million or 8.0% from the prior year. The increase was primarily due to an increase in cash and cash equivalents and investments of \$475.2 million. This was primarily due to an increase in lottery and gaming proceeds and from an increase in funding received as part of the American Recovery and Reinvestment Act of 2009.
- *General Fund – Fund Balance.* At the end of the current fiscal year, the State's General Fund reported a balance of \$1.4 billion.

Additional information regarding individual funds begins on Page 9.

### Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable decreased \$221.7 million or 4.8% over the prior year. The outstanding bonds payable represents 52.0% of financial assets (cash, receivables, and investments) and 11.1% of total assets. The net decrease in bonds payable resulted from a decrease of \$201,085,000 due to bond payments, \$256,665,000 due to bond refunding, and an increase of \$236,050,000 due to issuances of General Obligation and State Road Bonds. Additional detail is available in *Note 12*.

### Revenue Limit:

- The State Constitution limits the State's ability to retain revenue collected over an amount set by a constitutional amendment known as Article X. Excess revenue of 1.0% or more must be refunded to the taxpayers each year. During fiscal year 2011, the State did not exceed the revenue limit.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets may serve as a useful indicator of the State's financial position.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of when the cash is received. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

*Governmental Activities* are primarily supported by taxes and intergovernmental revenues. They include general government, education, natural and economic resources, transportation and law enforcement, and human services.

*Business-Type Activities* are intended to recover all or a significant portion of their costs through user fees and charges. They include constructing or operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents and insurance coverage. Also included are the operations of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds.

*Discretely Presented Component Units* are operations for which the State has financial accountability, but are legally separate. They include the college and universities, Missouri Development Finance Board, Missouri Agricultural and Small Business Development Authority, Missouri Transportation Finance Corporation, and Missouri Wine and Grape Board.

### Fund Financial Statements:

The fund financial statements present more detailed information about the government's operations than the government-wide statements. The State uses fund accounting to ensure and demonstrate compliance with statutory requirements. The funds of the State can be divided into three categories: governmental, proprietary, and fiduciary.

*Governmental funds.* Governmental funds are used to account for most of the basic services provided by the State. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Major funds include general, public education, conservation and environmental protection, and the Missouri Road Fund which are presented in separate columns. Data from other governmental funds are combined into a single column for aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in supplementary information.

A user can compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, a reconciliation to facilitate this comparison is provided on the page immediately following each governmental fund financial statement.

**Proprietary funds.** Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees. Generally, the State uses enterprise funds to account for activities that provide goods and services to the general public. These include constructing or operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising and publishing maps and documents. Also included are the operations of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds. Internal service funds report activities that provide supplies and services for the State's other programs and activities. The State uses internal service funds to account for insurance and health care plans, as well as administrative services for other state agencies, such as fleet management, data processing, and telecommunication services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds focus on economic resources and utilize the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the State Lottery, Unemployment Compensation, and Petroleum Storage Tank Insurance, which are considered major enterprise funds. Non-major enterprise funds are also combined into a single column for aggregated presentation. All internal service funds are combined into a single column in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements in supplementary information.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside State government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The fiduciary funds are presented using the full accrual basis of accounting.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the General Fund and major special revenue funds. Other supplementary information includes the combining statements for the general, non-major governmental, non-major enterprise, internal service, fiduciary, and non-major component unit funds. It also includes the statistical section as well as budgetary comparison schedules for the Missouri Road Fund, non-major special revenue, debt service, and permanent funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets:

The State's total net assets increased \$956.2 million or 3.4% during fiscal year 2011. This increase resulted primarily from a decrease in long-term and other liabilities of \$84.0 million, an increase to capital assets of \$552.6 million, and an increase in cash and cash equivalents and investments of \$383.4 million. Net assets invested in capital assets net of related debt and restricted net assets, which do not represent resources available to pay day-to-day operating expenses, increased by \$1.2 billion or 4.0%. The net assets invested in capital assets net of related debt and restricted net assets increase was primarily due to the increase in capital assets of \$552.6 million.

Invested in capital assets net of related debt, such as bonds payable or capital lease obligations, is the largest component of the State's net assets at \$26.7 billion or 90.7%. These assets include land, infrastructure, buildings, and equipment which are not easily converted to cash or readily available to pay state debts as they come due.



Restricted net assets of the primary government totaled \$4.4 billion or 14.8% of total net assets vs. 13.8% from the prior year. Net assets are restricted for several reasons including constitutional, legal, enabling legislation, or external requirements. Examples of restricted net assets include lottery proceeds restricted for public education, funds restricted for debt service, and certain sales taxes restricted for the maintenance of highways or state parks and conservation areas. Also, many federal funds are restricted to funding certain programs.

The following table displays the current and prior year government-wide condensed Statement of Net Assets.

<b>STATEMENT OF NET ASSETS</b>						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010*	2011	2010*	2011	2010*
<b>ASSETS:</b>						
Current and Other Assets	\$ 8,293,459	\$ 7,900,914	\$ 466,587	\$ 539,171	\$ 8,760,046	\$ 8,440,085
Capital Assets, Net	<u>30,641,743</u>	<u>30,093,389</u>	<u>50,356</u>	<u>46,106</u>	<u>30,692,099</u>	<u>30,139,495</u>
<i>Total Assets</i>	38,935,202	37,994,303	516,943	585,277	39,452,145	38,579,580
<b>LIABILITIES:</b>						
Other Liabilities	1,882,644	1,875,515	31,267	38,047	1,913,911	1,913,562
Long-Term Liabilities	<u>7,252,919</u>	<u>7,301,556</u>	<u>895,924</u>	<u>931,286</u>	<u>8,148,843</u>	<u>8,232,842</u>
<i>Total Liabilities</i>	9,135,563	9,177,071	927,191	969,333	10,062,754	10,146,404
<b>NET ASSETS:</b>						
Invested in Capital Assets,						
Net of Related Debt	26,600,674	25,850,787	50,290	45,990	26,650,964	25,896,777
Restricted	4,354,322	3,907,120	6,303	7,949	4,360,625	3,915,069
Unrestricted	<u>(1,155,357)</u>	<u>(940,675)</u>	<u>(466,841)</u>	<u>(437,995)</u>	<u>(1,622,198)</u>	<u>(1,378,670)</u>
<i>Total Net Assets</i>	<u>\$ 29,799,639</u>	<u>\$ 28,817,232</u>	<u>\$ (410,248)</u>	<u>\$ (384,056)</u>	<u>\$ 29,389,391</u>	<u>\$ 28,433,176</u>
*Fiscal year 2010 amounts have been restated.						

## Changes in Net Assets:

The schedule below reflects how the State's net assets changed during the year. The State collected program revenues of \$16.3 billion and general revenues of \$10.2 billion for total revenues of \$26.5 billion during fiscal year 2011. Expenses for the State during fiscal year 2011 were \$25.6 billion. Total net assets, net of contributions and transfers, increased by \$956.2 million.

The following table displays the current and prior year government-wide condensed Statement of Activities.

<b>STATEMENT OF ACTIVITIES</b>						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010*	2011	2010*	2011	2010*
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 1,962,691	\$ 2,228,698	\$ 1,066,208	\$ 1,040,846	\$ 3,028,899	\$ 3,269,544
Operating Grants and Contributions	9,704,651	9,489,240	1,749,487	1,823,732	11,454,138	11,312,972
Capital Grants and Contributions	1,796,035	1,454,811	---	---	1,796,035	1,454,811
General Revenues:						
Sales and Use Taxes	2,570,244	2,572,491	---	---	2,570,244	2,572,491
Income Taxes	5,272,555	5,201,573	---	---	5,272,555	5,201,573
Unemployment and Other Taxes	1,493,260	1,489,070	---	---	1,493,260	1,489,070
Other Revenues	912,333	1,330,401	(1,044)	2,533	911,289	1,332,934
<i>Total Revenues</i>	<u>23,711,769</u>	<u>23,766,284</u>	<u>2,814,651</u>	<u>2,867,111</u>	<u>26,526,420</u>	<u>26,633,395</u>
<b>EXPENSES:</b>						
General Government	1,086,428	1,129,030	---	---	1,086,428	1,129,030
Education	6,536,870	6,815,521	---	---	6,536,870	6,815,521
Natural and Economic Resources	929,528	1,082,526	---	---	929,528	1,082,526
Transportation and Law Enforcement	2,529,014	2,699,070	---	---	2,529,014	2,699,070
Human Services	11,712,121	11,740,145	---	---	11,712,121	11,740,145
State Lottery	---	---	746,010	724,915	746,010	724,915
Unemployment Compensation	---	---	1,719,619	2,216,078	1,719,619	2,216,078
Petroleum Storage Tank Insurance	---	---	13,939	13,925	13,939	13,925
State Fair Fees	---	---	3,693	3,843	3,693	3,843
State Parks and DNR	---	---	12,256	9,042	12,256	9,042
Historic Preservation	---	---	509	1,145	509	1,145
Veterans' Homes	---	---	76,052	70,884	76,052	70,884
Surplus Property	---	---	2,292	2,542	2,292	2,542
Revenue Information	---	---	1,193	1,513	1,193	1,513
All Other Expenses	200,681	196,413	---	---	200,681	196,413
<i>Total Expenses</i>	<u>22,994,642</u>	<u>23,662,705</u>	<u>2,575,563</u>	<u>3,043,887</u>	<u>25,570,205</u>	<u>26,706,592</u>
Increase (Decrease) in Net Assets before Contributions & Transfers	717,127	103,579	239,088	(176,776)	956,215	(73,197)
<i>Transfers</i>	<u>265,280</u>	<u>258,947</u>	<u>(265,280)</u>	<u>(258,947)</u>	<u>---</u>	<u>---</u>
Change in Net Assets	982,407	362,526	(26,192)	(435,723)	956,215	(73,197)
<i>Net Assets - July 1</i>	<u>28,817,232</u>	<u>28,454,706</u>	<u>(384,056)</u>	<u>51,667</u>	<u>28,433,176</u>	<u>28,506,373</u>
<i>Net Assets - June 30</i>	<u>\$ 29,799,639</u>	<u>\$ 28,817,232</u>	<u>\$ (410,248)</u>	<u>\$ (384,056)</u>	<u>\$ 29,389,391</u>	<u>\$ 28,433,176</u>

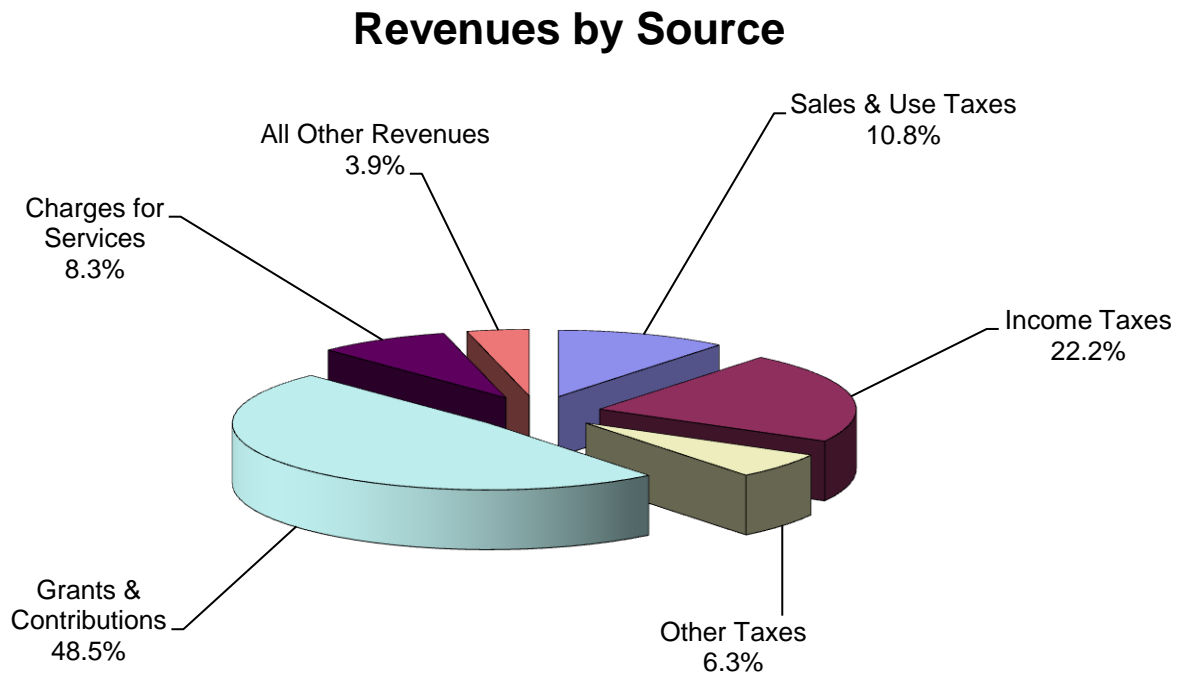
\*Fiscal year 2010 amounts have been restated.

## Governmental Activities

The net assets of governmental activities increased \$982.4 million in fiscal year 2011. Revenues for the governmental activities totaled \$23.7 billion, while expenses totaled \$23.0 billion in 2011.

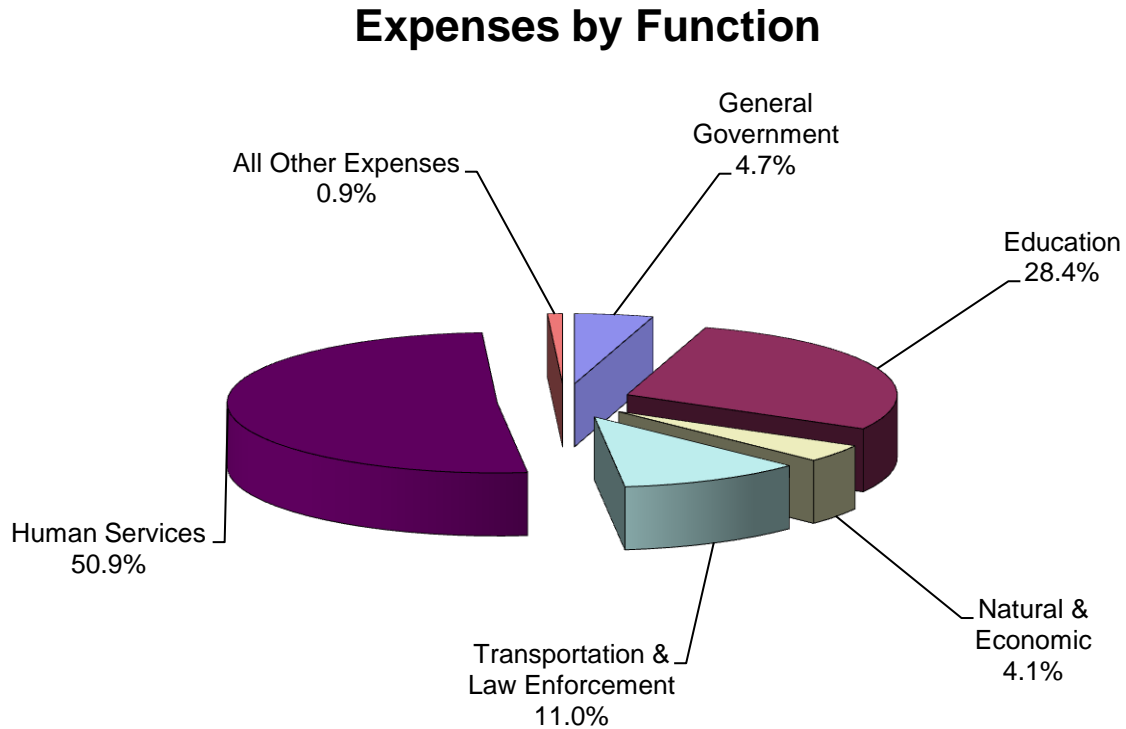
General and program revenues of governmental activities remained relatively constant during the fiscal year.

As shown in the Revenues by Source chart below, approximately 39.3% of revenues from all sources earned came from taxes. Grants and contributions, which represents amounts received from other governments/entities, primarily the federal government, provided 48.5% of total revenue. Charges for services contributed 8.3% and various other revenues provided 3.9% of the remaining governmental activity revenue sources.



The State's governmental activities program expenses decreased \$668.1 million during fiscal year 2011. Education expenses decreased \$278.7 million while General Government, Natural and Economic Resources, Transportation and Law Enforcement, Human Services, and Other Expenses decreased \$389.4 million.

As shown in the Expenses by Function chart below, expense for Human Services makes up the largest portion – 50.9% – of total governmental activities expenses.

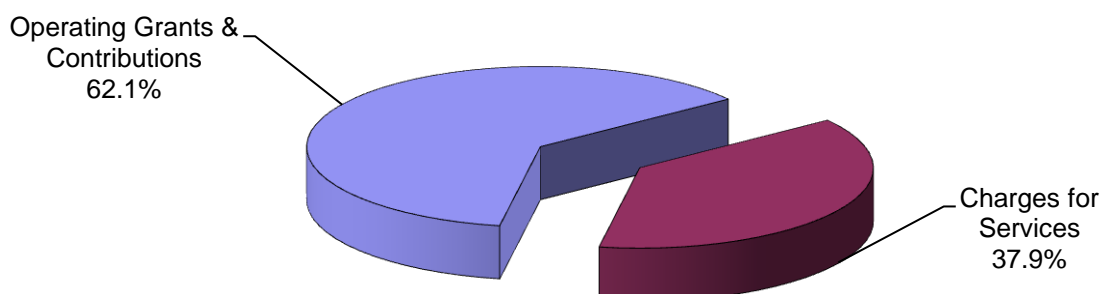


## Business-Type Activities

Net assets of the State's business-type activities decreased \$26.2 million in fiscal year 2011. Business-type revenues decreased by \$52.5 million during the current fiscal year. Program expenses of business-type activities decreased \$468.3 million from fiscal year 2010 to 2011 primarily from a decrease in unemployment compensation expense.

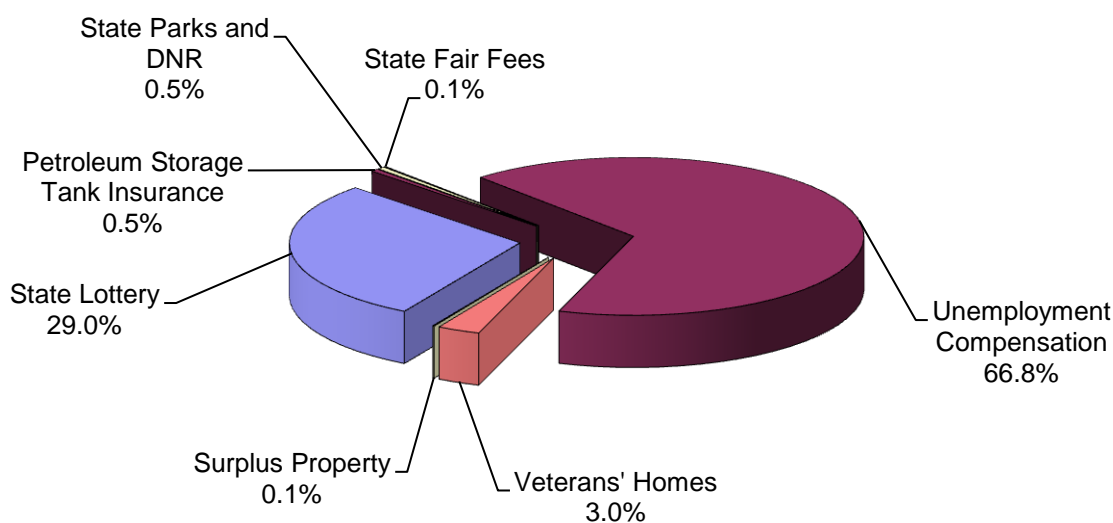
Revenues of business-type activities totaled \$2.8 billion. As shown in the Revenues by Source chart below, 62.1% of the revenues came from operating grants and contributions. Charges for services provided 37.9% of the total revenue.

### Revenues by Source



Expenses of business-type activities totaled \$2.6 billion. As shown in the Expenses by Fund chart below, the Unemployment Compensation makes up the largest portion with 66.8% of total business-type expenses. State Lottery comes in second at 29.0%, followed by veterans' homes at 3.0%, petroleum storage tank insurance at 0.5%, state parks and DNR at 0.5%, surplus property at 0.1%, and state fair fees at 0.1%.

### Expenses by Fund



## FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

### Governmental Funds:

At the end of fiscal year 2011, the State's governmental funds reported combined ending fund balances of \$5.2 billion. Approximately 29.2% is unrestricted and available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for: 1) inventories, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

Fund balances (in thousands) for governmental funds are as follows:

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Total
Nonspendable	\$ 42,906	\$ 15	\$ 923,534	\$ 46,731	\$ 46,701	\$ 1,059,887
Restricted	475,188	296,405	111,501	1,398,542	346,059	2,627,695
Committed	512,623	8,239	245,020	---	31,185	797,067
Assigned	59,888	38,435	81,399	---	219,355	399,077
Unassigned	325,146	---	---	---	---	325,146
<b>Total</b>	<b>\$ 1,415,751</b>	<b>\$ 343,094</b>	<b>\$ 1,361,454</b>	<b>\$ 1,445,273</b>	<b>\$ 643,300</b>	<b>\$ 5,208,872</b>

The General Fund is the chief operating fund of the State. At the end of fiscal year 2011, the State's General Fund reported a total fund balance of \$1.4 billion. The net increase in fund balance during fiscal year 2011 was \$175.3 million. Revenues of the General Fund totaled \$18.3 billion in fiscal year 2011, a decrease of \$18.6 million from fiscal year 2010. The major contributing factor was a combination of a decrease in contributions and intergovernmental revenues of \$377.9 million and an increase of \$345.0 million in taxes. Expenditures of the General Fund totaled \$15.4 billion in fiscal year 2011, a decrease of \$529.4 million from fiscal year 2010. The major contributing factors to this was a decrease in expenditures for human services of \$132.7 million, a decrease of \$291.0 million for education, and a decrease of \$103.1 million in transportation and law enforcement. The phasing out of the American Recovery and Reinvestment Act of 2009 contributed to the decrease in revenues and expenditures.

The Public Education Fund provides general and special education services to the children of the State and other related functions such as library services and student loans. Total fund balance increased by \$104.2 million. The major contributing factor to this was an increase of \$172.9 million in transfers in. This increase was due to an infusion of federal stimulus money, as well as, lottery and gaming proceeds. Revenues of the Public Education Fund totaled \$1.3 billion in fiscal year 2011, an increase of \$52.7 million from fiscal year 2010. The major factor that contributed to this was an increase of \$23.0 million in contributions and intergovernmental revenues. Expenditures for the Public Education Fund totaled \$4.2 billion for the fiscal year, an increase of \$9.1 million from fiscal year 2010. The increase was primarily due to a spike in education expenditures of \$8.0 million.

The Conservation and Environmental Protection Fund provides for the preservation of the State's wildlife and environment. The fund balance increased by \$135.1 million due to a decrease of \$152.5 million in natural and economic resources expenditures and a decrease in total revenues of \$45.6 million.

The Missouri Road Fund accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. The fund balance decreased by \$18.7 million in fiscal year 2011. A reduced amount of debt issuance contributed to the fund balance decrease. Revenues of the Missouri Road Fund increased during fiscal year 2011 by \$221.6 million primarily due to an increase of \$486.4 million in contributions and intergovernmental revenues and a decrease of \$269.1 million in miscellaneous revenues. Expenditures for the Missouri Road Fund totaled \$2.4 billion in fiscal year 2011, a decrease of \$52.2 million from fiscal year 2010. This was caused by a decrease of \$155.9 million in capital outlay, offset by an increase in principal and interest payments of \$87.4 million.

## **Proprietary Funds:**

The State has three major proprietary funds: State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance Fund. The State Lottery Fund was established in 1986 to account for the sale of lottery tickets and lottery operations. Since 1992, public education has been the sole beneficiary of lottery proceeds. Unemployment Compensation accounts for contributions and payments collected from Missouri employers under the provision of the "Unemployment Compensation Law." This tax finances benefits for workers who become unemployed through no fault of their own. The Petroleum Storage Tank Insurance Fund accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks. The fund pays cleanup expenses for petroleum leaks or spills from underground storage tanks and certain above ground storage tanks as well as third party property damage or bodily injury resulting from such discharges. This fund is one of the largest insurers of storage tanks in the country.

The State Lottery Fund's net assets decreased by \$1.7 million. There was a \$2.9 million decrease in investment earnings for fiscal year 2011. Other contributing factors include an increase in ticket sales of \$28.8 million and increases in prize expenses and transfers out of \$16.5 million.

The Unemployment Compensation Fund's net assets decreased by \$18.6 million due to the increased number of unemployment claims resulting from the current national economic condition. Missouri borrowed \$180.7 million from the federal government during fiscal year 2011 to continue to pay unemployment benefits. Missouri repaid \$210.6 million in loans for fiscal year 2011 with additional loans likely in fiscal year 2012.

The Petroleum Storage Tank Insurance Fund's net assets decreased by \$0.8 million. Operating expenses increased by \$0.2 million primarily due to an increase in program expenses. Operating revenues also decreased by \$0.1 million mainly due to a reduction in licenses, fees, and permits. Non-operating revenues also decreased by \$0.2 million due to a decrease in investment earnings.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget is the appropriated budget that is truly agreed to and finally passed by the legislature, and signed by the Governor at the beginning of the fiscal year. The final budget includes emergency and supplemental appropriations, reverted and increases to estimated appropriations, which occur during the fiscal year.

Budgeted appropriations for fiscal year 2011 from the General Fund were \$24.6 billion original budget and \$24.6 billion final budget. Actual spending was \$22.3 billion. Reasons for the final budget variances include:

- Appropriation authority exceeded cash available for expenditures.
- Lapse of various appropriations.
- Multiple year grants are appropriated in one year but the expenditures may occur over several years.

Budgeted revenues/transfers in for fiscal year 2011 for the General Fund were \$24.1 billion original budget and \$23.9 billion final budget. Actual revenue/transfers in was \$22.5 billion. The decrease in actual revenues/transfers in of \$748.9 million was mainly due to the phasing out of the American Recovery and Reinvestment Act of 2009.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 107 for more information on budgetary variances.

## GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2011, was \$30.7 billion (net of accumulated depreciation/amortization). This investment in capital assets includes construction in progress, software in progress, infrastructure in progress, land, permanent easements, land improvements, temporary easements, buildings and improvements, equipment, software, trademarks, and infrastructure.

### Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	\$ 298,608	\$ 7,374	\$ 305,982
Software in Progress	51,537	---	51,537
Infrastructure in Progress	3,187,000	---	3,187,000
Land	2,904,837	9,351	2,914,188
Permanent Easements	1,553	---	1,553
Land Improvements	184,278	8,812	193,090
Temporary Easements	5,028	50	5,078
Buildings and Improvements	3,196,654	30,780	3,227,434
Equipment	1,205,892	46,505	1,252,397
Software	46,261	1,713	47,974
Trademarks	17	---	17
Infrastructure	44,255,389	---	44,255,389
<i>Subtotal</i>	55,337,054	104,585	55,441,639
Less Accumulated Depreciation/Amortization	(24,695,311)	(54,229)	(24,749,540)
<b>Total Capital Assets, Net</b>	<b>\$ 30,641,743</b>	<b>\$ 50,356</b>	<b>\$ 30,692,099</b>

Additional information on capital assets can be found in *Note 5* of this report.

### Debt Administration:

At the end of fiscal year 2011, the primary government had total general obligation and other bonded debt outstanding of \$4.4 billion. Of this amount, \$487.1 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2011 were \$147.5 million for general obligation bonds and \$310.3 million for other bonds.

The State of Missouri is proud to be one of only nine states to maintain a Triple-A credit rating from all three major credit rating agencies (Moody's Investor Services, Inc., Standard and Poor's, and Fitch Ratings, Inc.) on the State's General Obligation Bonds.

### Outstanding Bonds Payable of the State include (in thousands):

	Governmental Activities	Component Units	Total
General Obligation Bonds	\$ 487,090	\$ ---	\$ 487,090
Other Bonds	3,880,975	1,996,429	5,877,404
<b>Total</b>	<b>\$ 4,368,065</b>	<b>\$ 1,996,429</b>	<b>\$ 6,364,494</b>

Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.



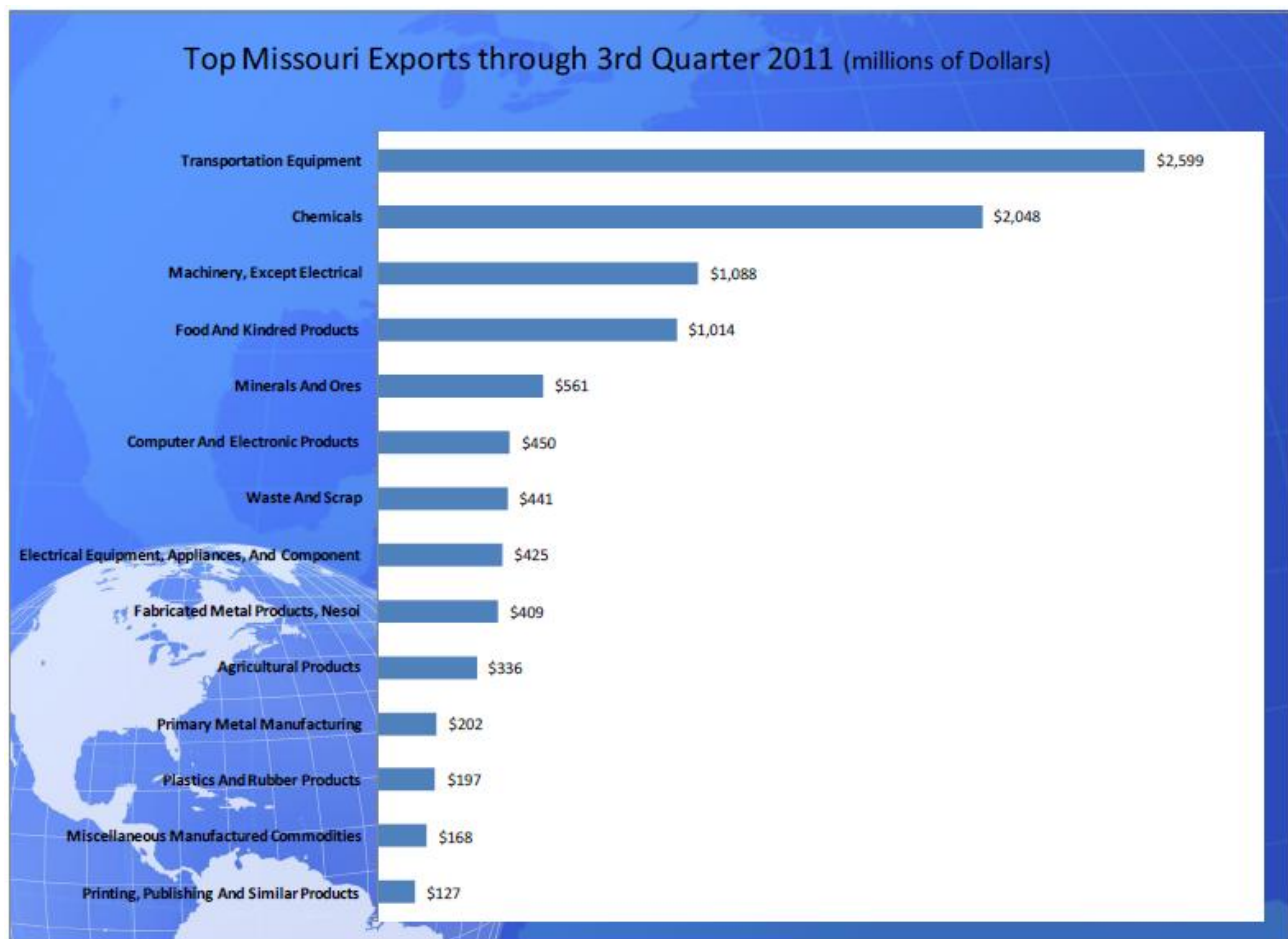
## ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The State of Missouri completed fiscal year 2011 with a balanced budget. Net general revenue collections increased 4.9% from fiscal year 2010 ending with an amount of \$7.1 billion. The fiscal year 2012 budget, as appropriated in May 2011, would require growth of 2.6% from fiscal year 2011 in general revenue collections to meet the revenue estimate. Expenditure restrictions and Federal budget stabilization funds will result in a balanced 2012 budget.

As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. Like the nation, the State is slowly emerging from the recession, but the recovery is hampered by global catastrophes, international financial struggles, and federal fiscal uncertainty.

In order to boost the economy and create jobs, Missouri has made changes to its tax structure including phasing out the corporate franchise tax and providing tax relief to certain small businesses that create qualifying jobs. While these changes will reduce tax revenues collected in the short term, new jobs and increased economic activity will partially offset those reduced collections.

One area of growth in Missouri is exports. During the first three quarters of 2011, Missouri exported a total of \$10.6 billion, which is almost 13% higher than the same period in 2010. The leading sectors in exports include transportation equipment and chemicals. The following graph shows the top exports (in millions of dollars).



Source: Missouri Economic Research and Information Center/Realty Trac

Despite the current national economic situation, Missouri's financial position continues to be strong. Conservative fiscal management, including Missouri's constitutional provisions for the Governor to line item veto and restrict expenditures below appropriated levels, will ensure the fiscal year 2012 budget is balanced. Further, Missouri's portion of the American Recovery and Reinvestment Act of 2009 provided budget fiscal relief funds in each of the last three fiscal years with the remaining portion used in the fiscal year 2012 budget. The use of the ARRA money received has mitigated some budget cuts over the past three years; however, the State will no longer be receiving that funding in fiscal year 2013.

During calendar year 2011, the State also experienced catastrophic natural disasters. The fiscal year 2012 budget includes funding to aid in the recovery from the blizzard, tornados, and flooding during 2011. The local communities affected by the disasters have received federal funding in addition to the money set aside by the State, but it still does not cover the total cost to rebuild these communities back to their previous state.

Despite funding challenges, the State is working to boost the economy, increase efficiency, and decrease costs. In the fall of 2011, Missouri held a special legislative session to pass legislation to create jobs. The session ended with the passage of Senate Bill 7, the Missouri Science and Innovation Reinvestment Act. The act provides funding for investments in innovative scientific research, will help bridge the gap between research and entrepreneurship, and provide a solid base for growth in quality jobs.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Administration, Division of Accounting, P.O. Box 809, Jefferson City, MO 65102.



*The **Basic Financial Statements** include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the Component Unit Financial Statements, and the accompanying notes to the statements.*

**STATE OF MISSOURI**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**  
**(In Thousands of Dollars)**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents (Note 3)	\$ 1,606,227	\$ 69,576	\$ 1,675,803	\$ 267,786
Investments (Note 3)	2,828,557	90,019	2,918,576	1,759,661
Invested Securities Lending Collateral (Note 3)	199,025	4,921	203,946	101,080
Receivables, Net (Note 14)	3,417,010	274,446	3,691,456	478,125
Internal Balances	29,980	(29,980)	---	---
Inventories	88,106	1,570	89,676	51,306
Deposits and Prepaid Expenses	31	166	197	37,252
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	19,130	---	19,130	236,598
Investments (Note 3)	42,001	55,869	97,870	1,310,188
Receivables, Net	---	---	---	74,011
Deferred Costs and Other Assets	63,392	---	63,392	39,232
Capital Assets (Note 5):				
Non-Depreciable	6,443,535	16,725	6,460,260	383,291
Depreciable, Net	24,198,208	33,631	24,231,839	4,015,148
Total Assets	<u>38,935,202</u>	<u>516,943</u>	<u>39,452,145</u>	<u>8,753,678</u>
<b>Liabilities</b>				
Bank Overdraft (Notes 3 and 10)	1	---	1	---
Payables (Note 14)	1,360,524	25,803	1,386,327	517,186
Securities Lending Obligation (Note 3)	199,025	4,921	203,946	101,080
Unearned Revenue (Note 1)	223,086	543	223,629	107,471
Escheat/Unclaimed Property	100,008	---	100,008	---
Long-Term Liabilities (Note 11):				
Due Within One Year	596,514	74,124	670,638	381,991
Due in More Than One Year	6,656,405	821,800	7,478,205	1,860,815
Total Liabilities	<u>9,135,563</u>	<u>927,191</u>	<u>10,062,754</u>	<u>2,968,543</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	26,600,674	50,290	26,650,964	2,661,271
Restricted for:				
Budget Reserve	506,903	---	506,903	---
Debt Service	364,962	---	364,962	---
Grants	471,412	---	471,412	---
Enabling Legislation (Note 1)	502,147	---	502,147	---
Loans Receivable	948,478	---	948,478	---
Permanent Trusts:				
Expendable	119	---	119	---
Non-Expendable	39,750	---	39,750	---
College and Universities:				
Expendable	---	---	---	439,499
Non-Expendable	---	---	---	825,366
External Parties	1,520,551	6,303	1,526,854	105,285
Unrestricted	(1,155,357)	(466,841)	(1,622,198)	1,753,714
Total Net Assets	<u>\$ 29,799,639</u>	<u>\$ (410,248)</u>	<u>\$ 29,389,391</u>	<u>\$ 5,785,135</u>

The notes to the financial statements are an integral part of this statement.

STATE OF MISSOURI  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
<b>Primary Government:</b>								
Governmental Activities:								
General Government	\$ 1,086,428	\$ 750,231	\$ 93,766	\$ ---	\$ (242,431)	\$ ---	\$ (242,431)	\$ ---
Education	6,536,870	61,759	1,598,396	---	(4,876,715)	---	(4,876,715)	---
Natural and Economic Resources	929,528	257,288	587,150	71	(85,019)	---	(85,019)	---
Transportation and Law Enforcement	2,529,014	285,269	299,954	1,795,860	(147,931)	---	(147,931)	---
Human Services	11,712,121	592,057	7,125,385	104	(3,994,575)	---	(3,994,575)	---
Interest on Debt (Excluding Direct Expense)	200,681	16,087	---	---	(184,594)	---	(184,594)	---
Total Governmental Activities	22,994,642	1,962,691	9,704,651	1,796,035	(9,531,265)	---	(9,531,265)	---
Business-Type Activities:								
State Lottery	746,010	1,011,055	---	---	---	265,045	265,045	---
Unemployment Compensation	1,719,619	---	1,701,052	---	---	(18,567)	(18,567)	---
Petroleum Storage Tank Insurance	13,939	12,740	---	---	---	(1,199)	(1,199)	---
State Fair Fees	3,693	3,577	120	---	---	4	4	---
State Parks and DNR	12,256	9,208	2,728	---	---	(320)	(320)	---
Historic Preservation	509	---	---	---	---	(509)	(509)	---
Missouri Veterans' Homes	76,052	25,950	45,565	---	---	(4,537)	(4,537)	---
Surplus Property	2,292	2,321	22	---	---	51	51	---
Revenue Information	1,193	1,357	---	---	---	164	164	---
Total Business-Type Activities	2,575,563	1,066,208	1,749,487	---	---	240,132	240,132	---
Total Primary Government	\$ 25,570,205	\$ 3,028,899	\$ 11,454,138	\$ 1,796,035	(9,531,265)	240,132	(9,291,133)	---
Component Units:								
College and Universities	\$ 3,548,027	\$ 2,224,209	\$ 1,482,627	\$ 51,295	---	---	---	210,104
Non-Major Component Units	9,332	6,518	---	---	---	---	---	(2,814)
Total Component Units	\$ 3,557,359	\$ 2,230,727	\$ 1,482,627	\$ 51,295	---	---	---	207,290
General Revenues:								
Taxes:								
Sales and Use					2,570,244	---	2,570,244	---
Individual Income					4,878,166	---	4,878,166	---
Corporate Income					394,389	---	394,389	---
County Foreign Insurance					182,679	---	182,679	---
Alcoholic Beverage					27,247	---	27,247	---
Corporate Franchise					70,743	---	70,743	---
Inheritance					1,833	---	1,833	---
Miscellaneous Taxes					1,210,758	---	1,210,758	---
Grants and Contributions not Restricted to Specific Programs					889,051	---	889,051	---
Unrestricted Investment Earnings					23,282	(1,044)	22,238	210,541
Transfers					265,280	(265,280)	---	---
Total General Revenues, Extraordinary Items, and Transfers					10,513,672	(266,324)	10,247,348	210,541
Change in Net Assets					982,407	(26,192)	956,215	417,831
Net Assets – Beginning					28,817,232	(384,056)	28,433,176	5,367,304
Net Assets – Ending					\$ 29,799,639	\$ (410,248)	\$ 29,389,391	\$ 5,785,135

The notes to the financial statements are an integral part of this statement.

*The Governmental Funds focus on current financial resources.*

## ***Governmental Fund Financial Statements***

### **Major Funds**

**General Fund** – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

#### **Major Special Revenue Funds:**

**Public Education** – Provides general and special education needs of the State and other related areas such as library services and student loans.

**Conservation and Environmental Protection** – Provides for the preservation of the State's wildlife and environment.

#### **Major Capital Projects Fund:**

**Missouri Road Fund** – Accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. This also includes the following blended component units: Missouri Highway 63 Transportation Corporation and the Wentzville Parkway Transportation Corporation.

### **Non-Major Funds**

Non-Major Governmental Funds are presented in the Combining and Individual Fund Statements and Schedules for non-major funds as part of Supplementary Information.

**STATE OF MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011  
(In Thousands of Dollars)**

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Totals June 30, 2011
<b>ASSETS</b>						
Cash and Cash Equivalents (Note 3)	\$ 723,949	\$ 74,468	\$ 109,323	\$ 405,217	\$ 153,232	\$ 1,466,189
Investments (Note 3)	837,720	151,306	306,140	995,476	361,584	2,652,226
Invested Securities Lending Collateral (Note 3)	44,825	8,082	8,747	119,072	16,666	197,392
Accounts Receivable, Net	1,939,263	129,973	44,169	117,784	183,631	2,414,820
Interest Receivable	3,197	474	662	1,951	542	6,826
Due from Other Funds (Note 15)	---	27,687	---	---	299	27,986
Due from Component Units (Note 15)	---	---	666	---	---	666
Inventories	20,584	15	553	46,731	3,776	71,659
Advance to Component Units (Note 15)	---	---	4,418	---	---	4,418
Loans Receivable	22,322	---	922,981	---	3,175	948,478
Restricted Assets:						
Cash and Cash Equivalents (Note 3)	---	---	---	16,957	---	16,957
Investments (Note 3)	---	---	---	41,701	---	41,701
<b>Total Assets</b>	<b>\$ 3,591,860</b>	<b>\$ 392,005</b>	<b>\$ 1,397,659</b>	<b>\$ 1,744,889</b>	<b>\$ 722,905</b>	<b>\$ 7,849,318</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 1,025,976	\$ 2,242	\$ 3,602	\$ 118,425	\$ 42,036	\$ 1,192,281
Accrued Payroll	58,716	219	4,323	17,377	10,093	90,728
Due to Other Funds (Note 15)	13,646	6	496	62	978	15,188
Securities Lending Obligation (Note 3)	44,825	8,082	8,747	119,072	16,666	197,392
Deferred Revenue (Note 1)	932,938	38,362	19,037	40,828	9,832	1,040,997
Escheat/Unclaimed Property	100,008	---	---	---	---	100,008
Advance from Component Units (Note 15)	---	---	---	3,852	---	3,852
<b>Total Liabilities</b>	<b>2,176,109</b>	<b>48,911</b>	<b>36,205</b>	<b>299,616</b>	<b>79,605</b>	<b>2,640,446</b>
Fund Balances:						
Nonspendable	42,906	15	923,534	46,731	46,701	1,059,887
Restricted	475,188	296,405	111,501	1,398,542	346,059	2,627,695
Committed	512,623	8,239	245,020	---	31,185	797,067
Assigned	59,888	38,435	81,399	---	219,355	399,077
Unassigned	325,146	---	---	---	---	325,146
<b>Total Fund Balances</b>	<b>1,415,751</b>	<b>343,094</b>	<b>1,361,454</b>	<b>1,445,273</b>	<b>643,300</b>	<b>5,208,872</b>
<b>Total Liabilities     and Fund Balances</b>	<b>\$ 3,591,860</b>	<b>\$ 392,005</b>	<b>\$ 1,397,659</b>	<b>\$ 1,744,889</b>	<b>\$ 722,905</b>	<b>\$ 7,849,318</b>

The notes to the financial statements are an integral part of this statement.

**STATE OF MISSOURI  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2011  
(In Thousands of Dollars)**

Total Fund Balances – Governmental Funds	\$	5,208,872
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental funds are not financial resources and they are not reported in the funds. These assets consist of (Note 5):

Construction in Progress	297,376	
Software in Progress	43,110	
Infrastructure in Progress	3,187,000	
Land	2,897,115	
Permanent Easements	1,553	
Land Improvements	181,164	
Temporary Easements	5,028	
Buildings and Improvements	2,666,561	
Equipment	1,097,801	
Software	44,504	
Trademarks	17	
Infrastructure	44,255,389	
Accumulated Depreciation/Amortization	<u>(24,470,761)</u>	
		30,205,857

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds (Note 1).		851,175
---	--	---------

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the Statement of Net Assets.		63,392
--	--	--------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of (Notes 11 and 12):

Due to Other Entities	(23,909)	
General Obligation and Other Bonds Payable	(4,368,065)	
Unamortized Bond Premium	(158,870)	
Accrued Interest on Bonds	(37,718)	
Obligation under Lease Purchases	(157,790)	
Pollution Remediation	(6,925)	
Compensated Absences	(156,513)	
Claims Liability	(16,288)	
Contingent Liabilities	(1,585,969)	
Net Other Postemployment Benefit Obligation	(463,479)	
Net Pension Obligation	<u>(117,155)</u>	
		(7,092,681)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities are included in governmental activities in the Statement of Net Assets.		<u>563,024</u>
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Net Assets of Governmental Activities	\$	<u><u>29,799,639</u></u>
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The notes to the financial statements are an integral part of this statement.



**STATE OF MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2011
<b>Revenues:</b>							
Taxes	\$ 7,015,323	\$ 1,133,362	\$ 172,593	\$ 110,420	\$ 967,143	\$ ---	\$ 9,398,841
Licenses, Fees, and Permits	85,130	1,844	74,614	93,233	376,128	---	630,949
Sales	683	---	8,157	---	1,291	---	10,131
Leases and Rentals	29	---	483	---	153	---	665
Services	272,435	---	---	---	117	---	272,552
Contributions and Intergovernmental	10,492,411	125,515	64,248	1,468,222	232,612	---	12,383,008
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	317	(289)	(450)	1,344	(975)	---	(53)
Interest	16,507	1,450	4,003	9,521	3,016	---	34,497
Penalties and Unclaimed Properties	44,281	858	350	---	9,347	---	54,836
Cost Reimbursement/Miscellaneous	417,217	62,849	2,493	121,809	57,816	---	662,184
Total Revenues	<u>18,344,333</u>	<u>1,325,589</u>	<u>326,491</u>	<u>1,804,549</u>	<u>1,646,648</u>	<u>---</u>	<u>23,447,610</u>
<b>Expenditures:</b>							
Current:							
General Government	652,202	1,014	1,926	---	228,810	---	883,952
Education	2,389,106	4,135,294	43	---	1,543	---	6,525,986
Natural and Economic Resources	463,715	3,238	182,470	---	178,089	---	827,512
Transportation and Law Enforcement	603,685	171	753	876,907	276,894	---	1,758,410
Human Services	11,160,754	19,016	841	---	447,165	---	11,627,776
Capital Outlay:							
General Government	---	---	---	---	1	---	1
Transportation and Law Enforcement	---	---	---	1,249,787	3,313	---	1,253,100
Debt Service:							
Principal	47,204	---	560	132,128	62,605	---	242,497
Interest	40,670	---	---	93,793	91,395	---	225,858
Bond Issuance Costs	277	---	---	879	396	---	1,552
Underwriter's Discount	299	---	---	---	138	---	437
Arbitrage	42	---	---	---	---	---	42
Total Expenditures	<u>15,357,954</u>	<u>4,158,733</u>	<u>186,593</u>	<u>2,353,494</u>	<u>1,290,349</u>	<u>---</u>	<u>23,347,123</u>
Excess Revenues (Expenditures)	<u>2,986,379</u>	<u>(2,833,144)</u>	<u>139,898</u>	<u>(548,945)</u>	<u>356,299</u>	<u>---</u>	<u>100,487</u>
<b>Other Financing Sources (Uses):</b>							
Proceeds from Capital Leases	1,431	---	---	4,869	---	---	6,300
Issuance of Refunding Bonds	76,910	---	---	130,390	105,660	---	312,960
Escrow Agent	(76,392)	---	---	(150,477)	(124,730)	---	(351,599)
Bond Premium	58	---	---	20,972	19,438	---	40,468
Proceeds from Sale of Capital Assets	379	1	20	9,351	4,952	---	14,703
Transfers In (Note 16)	36,945	2,964,368	---	515,181	202,687	(3,453,850)	265,331
Transfers Out (Note 16)	(2,848,939)	(27,010)	(4,913)	---	(573,036)	3,453,850	(48)
Total Other Financing Sources (Uses)	<u>(2,809,608)</u>	<u>2,937,359</u>	<u>(4,893)</u>	<u>530,286</u>	<u>(365,029)</u>	<u>---</u>	<u>288,115</u>
Net Change in Fund Balances	176,771	104,215	135,005	(18,659)	(8,730)	---	388,602
Fund Balances – Beginning (Note 17)	1,240,476	238,923	1,226,400	1,463,932	652,928	---	4,822,659
Increase (Decrease) in Reserve for Inventory	(1,496)	(44)	49	---	(898)	---	(2,389)
Fund Balances – Ending	<u>\$ 1,415,751</u>	<u>\$ 343,094</u>	<u>\$ 1,361,454</u>	<u>\$ 1,445,273</u>	<u>\$ 643,300</u>	<u>\$ ---</u>	<u>\$ 5,208,872</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES IN**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

Net Change in Fund Balances – Total Governmental Funds	\$	388,602
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Amounts reported for governmental activities in the Statement of Activities are different because:

Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase in Reserve for Inventories on the fund statement has been reclassified as a functional expense on the government-wide statement.		(2,389)
---	--	---------

Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount that capital outlays of \$1,413,790 exceeds depreciation/amortization of \$872,598 in the current period.		541,192
---	--	---------

The net effect of the donation of capital assets increased net assets.		2,217
--	--	-------

Deferred revenues do not provide current financial resources and are not recognized as revenues until available in governmental funds.		(42,679)
--	--	----------

Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. In governmental funds, repayment of principal is an expenditure, but the repayment reduces long-term liabilities in the Combined Statement of Net Assets (Notes 11 and 12):

Bonds Issued	(236,050)	
Bond Premiums, Issuance, and Refunding Costs	(20,381)	
Bonds Retired	457,750	
Capital Leases Issued	(6,300)	
Capital Lease Payments	28,399	
		223,418

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds (Notes 11 and 12):

Amortization of Bond Premiums, Issuance, and Refunding Costs	18,827	
Decrease in Accrued Interest	2,727	
Decrease in Due to Other Entities	8,930	
Decrease in Pollution Remediation	3,161	
Decrease in Compensated Absences	21,674	
Increase in Contingent Liabilities	(87,105)	
Decrease in Claims Liability	22,652	
Increase in Net Other Postemployment Benefit Obligation	(133,521)	
Increase in Net Pension Obligation	(2,854)	
		(145,509)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue and expense of internal service funds are reported with governmental activities.		17,555
--	--	--------

Change in Net Assets of Governmental Activities	\$	982,407
---	----	---------

The notes to the financial statements are an integral part of this statement.



*The **Proprietary Funds** focus on economic resources and are operated in a manner similar to private business enterprises.*

### ***Proprietary Fund Financial Statements***

#### **Major Funds**

**State Lottery** – Accounts for proceeds from the sale of lottery tickets and all other moneys credited or transferred to this fund. A minimum of 45% of the moneys are used for prizes.

**Unemployment Compensation** – Accounts for contributions and payments collected under the provisions of the “Unemployment Compensation Law” to pay benefits.

**Petroleum Storage Tank Insurance** – Accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

#### **Non-Major Funds**

Non-major enterprise funds and all internal service funds are presented in our combining non-major fund financial statements as part of Supplementary Information.

**STATE OF MISSOURI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011  
(In Thousands of Dollars)**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Funds
	Major Funds					Totals	
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	Eliminations	June 30, 2011	
<b>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents (Note 3)	\$ 14,866	\$ 17,718	\$ 24,301	\$ 12,691	\$ ---	\$ 69,576	\$ 140,038
Investments (Note 3)	13,174	---	50,369	26,476	---	90,019	114,014
Restricted:							
Investments (Note 3)	8,609	---	---	---	---	8,609	---
Invested Securities Lending Collateral (Note 3)	720	---	2,753	1,448	---	4,921	1,633
Accounts Receivable, Net	49,902	221,262	1,859	603	---	273,626	41,417
Interest Receivable	34	---	136	18	---	188	382
Due from Other Funds (Note 15)	---	---	---	64	(2)	62	15,805
Due from Component Units (Note 15)	---	---	---	---	---	---	1
Inventories	---	---	---	1,570	---	1,570	16,447
Prepaid Items	166	---	---	---	---	166	31
Loans Receivable	---	---	---	632	---	632	---
Total Current Assets	87,471	238,980	79,418	43,502	(2)	449,369	329,768
Non-Current Assets:							
Investments	---	---	---	---	---	---	62,317
Restricted:							
Cash and Cash Equivalents (Note 3)	---	---	---	---	---	---	2,173
Investments (Note 3)	47,260	---	---	---	---	47,260	300
Capital Assets (Note 5):							
Construction in Progress	282	---	---	7,092	---	7,374	1,232
Software in Progress	---	---	---	---	---	---	8,427
Land	353	---	---	8,998	---	9,351	7,722
Land Improvements	---	---	---	8,812	---	8,812	3,114
Temporary Easements	---	---	---	50	---	50	---
Buildings	4,940	---	---	25,840	---	30,780	530,093
Equipment	7,511	---	204	38,790	---	46,505	108,091
Software	1,707	---	---	6	---	1,713	1,757
Less Accumulated Depreciation/Amortization	(11,428)	---	(180)	(42,621)	---	(54,229)	(224,550)
Total Non-Current Assets	50,625	---	24	46,967	---	97,616	500,676
Total Assets	138,096	238,980	79,442	90,469	(2)	546,985	830,444
<b>LIABILITIES</b>							
Current Liabilities:							
Bank Overdraft (Note 3)	---	---	---	---	---	---	1
Accounts Payable	2,819	19,431	29	1,218	---	23,497	33,810
Accrued Payroll	280	---	64	1,962	---	2,306	2,134
Due to Other Funds (Note 15)	27,725	299	3	103	(2)	28,128	536
Securities Lending Obligation (Note 3)	720	---	2,753	1,448	---	4,921	1,633
Unearned Revenue (Note 1)	---	---	543	---	---	543	33,264
Claims Liability (Note 11)	---	---	15,000	---	---	15,000	73,597
Grand Prize Winner Liability (Note 11)	55,628	---	---	---	---	55,628	---
Obligations under Lease Purchase (Note 11)	---	---	---	38	---	38	4,699
Compensated Absences (Note 11)	611	---	66	2,781	---	3,458	4,421
Total Current Liabilities	87,783	19,730	18,458	7,550	(2)	133,519	154,095
Non-Current Liabilities:							
Loans Payable	---	692,168	---	---	---	692,168	---
Claims Liability (Note 11)	---	---	88,647	---	---	88,647	66,503
Grand Prize Winner Liability (Note 11)	40,953	---	---	---	---	40,953	---
Obligations under Lease Purchase (Note 11)	---	---	---	28	---	28	47,036
Compensated Absences (Note 11)	---	---	1	3	---	4	1,700
Total Non-Current Liabilities	40,953	692,168	88,648	31	---	821,800	115,239
Total Liabilities	128,736	711,898	107,106	7,581	(2)	955,319	269,334
<b>NET ASSETS</b>							
Invested in Capital Assets, Net of Related Debt	3,365	---	24	46,901	---	50,290	384,151
Restricted for:							
Revenue Bonds	---	---	---	---	---	---	1,004
Other Purposes	6,303	---	---	---	---	6,303	1,469
Unrestricted	(308)	(472,918)	(27,688)	35,987	---	(464,927)	174,486
Total Net Assets	\$ 9,360	\$ (472,918)	\$ (27,664)	\$ 82,888	\$ ---	\$ (408,334)	\$ 561,110
Total Net Assets Reported Above						\$ (408,334)	
Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds						(1,914)	
Net Assets of Business-Type Activities						\$ (410,248)	

The notes to the financial statements are an integral part of this statement.

**STATE OF MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Business-Type Activities – Enterprise Funds					
	Major Funds				Totals	Governmental Activities – Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2011	
<b>Operating Revenues:</b>						
Employer Contributions	\$ ---	\$ 702,346	\$ ---	\$ ---	\$ 702,346	\$ 480,614
Employee Contributions	---	---	---	---	---	205,697
Medicare Part D Subsidy	---	---	---	---	---	3,591
Licenses, Fees, and Permits	---	---	12,740	8,012	20,752	21,447
Sales	1,000,679	---	---	4,444	1,005,123	30,531
Leases and Rentals	---	---	---	3,294	3,294	101,189
Charges for Services	---	---	---	25,737	25,737	101,412
Cost Reimbursement/Miscellaneous	523	---	---	1,545	2,068	23,470
Total Operating Revenues	<u>1,001,202</u>	<u>702,346</u>	<u>12,740</u>	<u>43,032</u>	<u>1,759,320</u>	<u>967,951</u>
<b>Operating Expenses:</b>						
Cost of Goods Sold	16,522	---	---	1,609	18,131	22,279
Personal Service	9,832	---	1,570	67,431	78,833	76,929
Operations	69,794	---	3,635	12,652	86,081	168,240
Prizes Expense	639,010	---	---	---	639,010	---
Inventories	---	---	---	9,492	9,492	1,223
Specific Programs	---	---	8,733	1,094	9,827	66,909
Insurance Benefits	---	---	---	---	---	593,070
Unemployment Benefits	---	1,718,429	---	---	1,718,429	---
Depreciation/Amortization	1,040	---	6	3,562	4,608	22,740
Other Charges	9,873	---	---	432	10,305	1,891
Total Operating Expenses	<u>746,071</u>	<u>1,718,429</u>	<u>13,944</u>	<u>96,272</u>	<u>2,574,716</u>	<u>953,281</u>
Operating Income (Loss)	<u>255,131</u>	<u>(1,016,083)</u>	<u>(1,204)</u>	<u>(53,240)</u>	<u>(815,396)</u>	<u>14,670</u>
<b>Non-Operating Revenues (Expenses):</b>						
Contributions and Intergovernmental	(18)	998,706	---	48,435	1,047,123	235
Interest Expense	---	(1,190)	---	(3)	(1,193)	(1,614)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(1,647)	---	(161)	(99)	(1,907)	(427)
Interest	160	---	604	99	863	3,605
Penalties and Unclaimed Properties	---	---	---	2	2	6
Disposal of Capital Assets	44	---	---	216	260	(358)
Miscellaneous Revenues	9,853	---	---	---	9,853	---
Total Non-Operating Revenues (Expenses)	<u>8,392</u>	<u>997,516</u>	<u>443</u>	<u>48,650</u>	<u>1,055,001</u>	<u>1,447</u>
Income (Loss) Before Transfers	263,523	(18,567)	(761)	(4,590)	239,605	16,117
Capital Contributions (Note 16)	---	---	---	---	---	1,301
Transfers In (Note 16)	18	---	---	---	18	99
Transfers Out (Note 16)	(265,278)	---	---	(20)	(265,298)	(479)
Change in Net Assets	(1,737)	(18,567)	(761)	(4,610)	(25,675)	17,038
Total Net Assets – Beginning (Note 17)	11,097	(454,351)	(26,903)	87,498	(382,659)	544,072
Total Net Assets – Ending	<u>\$ 9,360</u>	<u>\$ (472,918)</u>	<u>\$ (27,664)</u>	<u>\$ 82,888</u>	<u>\$ (408,334)</u>	<u>\$ 561,110</u>
Total Net Change in Net Assets Reported Above					\$ (25,675)	
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds					(517)	
Change in Net Assets of Business-Type Activities					<u>\$ (26,192)</u>	

The notes to the financial statements are an integral part of this statement.

**STATE OF MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)**

	Business-Type Activities – Enterprise Funds					
	Major Funds				Totals	Governmental Activities – Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2011	
<b>Cash Flows from Operating Activities:</b>						
Receipts from Internal Customers and Users	\$ ---	\$ 7,963	\$ ---	\$ 1,933	\$ 9,896	\$ 717,301
Receipts from External Customers and Users	995,334	629,868	12,822	39,503	1,677,527	233,520
Payments to Suppliers	(86,220)	---	(3,628)	(23,761)	(113,609)	(194,198)
Payments to Employees	(9,871)	---	(1,640)	(67,079)	(78,590)	(76,050)
Payments Made for Program Expense	(641,347)	(1,745,838)	(11,902)	(1,094)	(2,400,181)	(655,802)
Other Receipts (Payments)	(9,350)	---	---	1,113	(8,237)	21,579
Net Cash Provided (Used) by Operating Activities	248,546	(1,108,007)	(4,348)	(49,385)	(913,194)	46,350
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Due to/from Other Funds	5,857	299	---	58	6,214	1,408
Due to/from Component Units	---	---	---	---	---	(1)
Contributions and Intergovernmental	(18)	998,706	---	48,435	1,047,123	235
Transfers to/from Other Funds	(265,260)	---	---	(20)	(265,280)	(380)
Other Receipts (Expenses)	9,853	---	---	---	9,853	---
Net Cash Provided (Used) by Non-Capital Financing Activities	(249,568)	999,005	---	48,473	797,910	1,262
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Interest Expense	---	(1,190)	---	(3)	(1,193)	(1,614)
Purchases and Construction of Capital Assets	(948)	---	(7)	(7,875)	(8,830)	(11,875)
Capital Lease Downpayment/Obligations	---	---	---	(50)	(50)	(3,151)
Disposal of Capital Assets	44	---	---	183	227	---
Net Cash Provided (Used) by Capital and Related Financing Activities	(904)	(1,190)	(7)	(7,745)	(9,846)	(16,640)
<b>Cash Flows from Investing Activities:</b>						
Proceeds from Sales and Investment Maturities	---	---	12,031	11,805	23,836	869,600
Purchase of Investments	(5,517)	---	---	(212)	(5,729)	(867,371)
Interest and Dividends Received	151	---	573	102	826	3,813
Investment Fees	---	---	---	---	---	(39)
Penalties and Other Receipts	---	---	---	2	2	6
Net Cash Provided (Used) by Investing Activities	(5,366)	---	12,604	11,697	18,935	6,009
Net Increase (Decrease) in Cash	(7,292)	(110,192)	8,249	3,040	(106,195)	36,981
Cash and Cash Equivalents, Beginning of Year	22,158	127,910	16,052	9,651	175,771	105,229
Cash and Cash Equivalents, End of Year	\$ 14,866	\$ 17,718	\$ 24,301	\$ 12,691	\$ 69,576	\$ 142,210
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Income (Loss)	\$ 255,131	\$ (1,016,083)	\$ (1,204)	\$ (53,240)	\$ (815,396)	\$ 14,670
Depreciation/Amortization Expense	1,040	---	6	3,562	4,608	22,740
Changes in Assets and Liabilities:						
Accounts Receivable	(5,345)	(64,515)	43	(51)	(69,868)	(3,148)
Inventories	---	---	---	(155)	(155)	(436)
Prepaid Items	(8)	---	---	---	(8)	112
Accounts Payable	104	2,540	7	147	2,798	(2,132)
Accrued Payroll	(7)	---	(3)	109	99	31
Loans Payable	---	(29,949)	---	---	(29,949)	---
Unearned Revenue	---	---	39	---	39	9,488
Grand Prize Winner Liability	(2,337)	---	---	---	(2,337)	---
Claims Liability	---	---	(3,169)	---	(3,169)	4,177
Compensated Absences	(32)	---	(67)	243	144	848
Net Cash Provided (Used) by Operating Activities	\$ 248,546	\$ (1,108,007)	\$ (4,348)	\$ (49,385)	\$ (913,194)	\$ 46,350
<b>Non-Cash Financing and Investing Activities:</b>						
Capital Lease Issuance	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 14,867
Capital Asset Donations	18	---	---	147	165	149
Increase (Decrease) in Fair Value of Investments	(1,647)	---	(161)	(99)	(1,907)	(427)
Net Non-Cash Financing and Investing Activities	\$ (1,629)	\$ ---	\$ (161)	\$ 48	\$ (1,742)	\$ 14,589

The notes to the financial statements are an integral part of this statement.



*The **Fiduciary Funds** account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.*

Individual fund financial statements for pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds are presented as part of Supplementary Information.

**STATE OF MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2011**  
**(In Thousands of Dollars)**

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 3)	\$ 811,430	\$ 8,545	\$ 375,770
Investments at Fair Value (Note 3):			
U.S. Government Securities	945,891	2,247	1,136
U.S. Agency Sponsored Securities	59,800	9,505	55,689
Repurchase Agreements	---	---	65,658
Stocks	1,577,127	60	129
Bonds	185,462	---	---
International Equities	929,514	---	---
Mutual and Index Funds	1,552,942	---	531
Venture Capital Limited Partnership	4,211,892	---	---
Other Investments	769,990	6,094	1,260
Invested Securities Lending Collateral (Note 3)	703,219	975	59
Receivables:			
Accounts Receivable	80,596	---	256,863
Interest Receivable	3,375	11	32
Inventories	---	2	---
Prepaid Expenses	58	---	---
Capital Assets:			
Land	351	---	---
Buildings	4,150	---	---
Equipment	1,820	46	---
Software	3,282	9	---
Accumulated Depreciation/Amortization	(3,255)	(36)	---
Total Capital Assets, Net	<u>6,348</u>	<u>19</u>	<u>---</u>
Total Assets	<u>11,837,644</u>	<u>27,458</u>	<u>\$ 757,127</u>
<b>LIABILITIES</b>			
Accounts Payable	76,910	880	32
Accrued Payroll	---	23	---
Due to Other Entities	---	---	724,280
Due to Individuals	---	---	32,756
Securities Lending Obligation (Note 3)	704,182	975	59
Unearned Revenue (Note 1)	4,924	---	---
Claims Liability	9,534	---	---
Compensated Absences	<u>562</u>	<u>30</u>	<u>---</u>
Total Liabilities	<u>796,112</u>	<u>1,908</u>	<u>\$ 757,127</u>
Net Assets Held in Trust for Benefits and Other Purposes	<u>\$ 11,041,532</u>	<u>\$ 25,550</u>	

The notes to the financial statements are an integral part of this statement.



**STATE OF MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
<b>Additions:</b>		
Contributions:		
Employer	\$ 502,713	\$ ---
Plan Member	108,684	---
Other	40,006	---
Investment Earnings:		
Increase (Decrease) in Appreciation of Assets	1,561,183	(31)
Interest and Dividends	461,632	53
Securities Lending Income	1,997	---
Total Investment Earnings	<u>2,024,812</u>	<u>22</u>
Less Investment Expenses:		
Investment Activity Expense	(120,332)	---
Securities Lending Expense	(353)	---
Total Investment Expense	<u>(120,685)</u>	<u>---</u>
Net Investment Earnings	<u>1,904,127</u>	<u>22</u>
Unclaimed Property	---	44,621
Cost Reimbursement/Miscellaneous	<u>700</u>	<u>12,636</u>
Total Additions	<u>2,556,230</u>	<u>57,279</u>
<b>Deductions:</b>		
Benefits	962,214	---
Administrative Expenses	17,496	1,707
Program Distributions	74,955	46,059
Service Transfer Payments	17,746	---
Depreciation/Amortization	629	16
Disposal of Capital Assets	---	15
Total Deductions	<u>1,073,040</u>	<u>47,797</u>
Change in Net Assets	1,483,190	9,482
Net Assets held in Trust – Beginning of Year (Note 17)	<u>9,558,342</u>	<u>16,068</u>
Net Assets held in Trust – End of Year	<u>\$ 11,041,532</u>	<u>\$ 25,550</u>

The notes to the financial statements are an integral part of this statement.



*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

## ***Component Unit Financial Statements***

### **Major**

**College and Universities**

### **Non-Major**

Non-Major proprietary component unit statements are found in the combining fund financial statements as part of Supplementary Information.

**STATE OF MISSOURI  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
June 30, 2011  
(In Thousands of Dollars)**

	College and Universities	Non-Major	Totals June 30, 2011
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 245,547	\$ 22,239	\$ 267,786
Investments (Note 3)	279,138	14,037	293,175
Invested Securities Lending Collateral (Note 3)	101,047	33	101,080
Receivables, Net	333,073	2,292	335,365
Inventories	51,305	1	51,306
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	211,050	3,303	214,353
Investments (Note 3)	69,394	6,009	75,403
Receivables, Net	12,452	8,276	20,728
Deposits and Prepaid Expenses	31,512	360	31,872
Deferred Costs and Other Assets	233	---	233
Total Current Assets	<u>1,334,751</u>	<u>56,550</u>	<u>1,391,301</u>
Non-Current Assets:			
Investments (Note 3)	1,466,486	---	1,466,486
Receivables, Net	93,852	45,056	138,908
Advance to Primary Government (Note 15)	---	3,852	3,852
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	6,137	16,108	22,245
Investments (Note 3)	1,216,042	18,743	1,234,785
Receivables, Net	1,661	51,622	53,283
Deposits and Prepaid Expenses	5,380	---	5,380
Deferred Costs and Other Assets	38,688	311	38,999
Capital Assets, Net of Accumulated Depreciation/Amortization (Note 5)	4,351,120	47,319	4,398,439
Total Non-Current Assets	<u>7,179,366</u>	<u>183,011</u>	<u>7,362,377</u>
Total Assets	<u>8,514,117</u>	<u>239,561</u>	<u>8,753,678</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	318,659	5,484	324,143
Due to Primary Government (Note 15)	---	667	667
Securities Lending Obligation (Note 3)	101,047	33	101,080
Unearned Revenue (Note 1)	103,682	---	103,682
Deposits	64,324	---	64,324
Claims Liability (Note 21)	38,692	---	38,692
Compensated Absences	61,780	17	61,797
Other Postemployment Obligations, Net	255	---	255
Capital Lease Obligations (Note 6)	3,343	---	3,343
Bonds and Notes Payable (Note 12)	277,634	270	277,904
Total Current Liabilities	<u>969,416</u>	<u>6,471</u>	<u>975,887</u>
Non-Current Liabilities:			
Accounts Payable and Accrued Liabilities	118,635	---	118,635
Advance from Primary Government (Note 15)	---	4,418	4,418
Unearned Revenue (Note 1)	2,752	1,037	3,789
Deposits and Reserves	466	4,533	4,999
Claims Liability (Note 21)	35,357	---	35,357
Compensated Absences	23,094	16	23,110
Other Postemployment Obligations, Net	3,573	---	3,573
Capital Lease Obligations (Note 6)	47,959	---	47,959
Bonds and Notes Payable (Note 12)	1,711,736	39,080	1,750,816
Total Non-Current Liabilities	<u>1,943,572</u>	<u>49,084</u>	<u>1,992,656</u>
Total Liabilities	<u>2,912,988</u>	<u>55,555</u>	<u>2,968,543</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net	2,644,304	16,967	2,661,271
Restricted for:			
Expendable	439,499	---	439,499
Non-Expendable	825,366	---	825,366
Other Purposes	---	105,285	105,285
Unrestricted	1,691,960	61,754	1,753,714
Total Net Assets	<u>\$ 5,601,129</u>	<u>\$ 184,006</u>	<u>\$ 5,785,135</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS/STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	College and Universities	Non-Major	Totals June 30, 2011	Adjustments	Statement of Activities
<b>Revenues:</b>					
Operating Revenues:					
Licenses, Fees, and Permits	\$ ---	\$ 2,582	\$ 2,582	\$ ---	\$ 2,582
Student Tuition and Fees (Net of Scholarship Allow.)	822,705	---	822,705	---	822,705
Sales and Services of Educational Departments	39,574	---	39,574	---	39,574
Auxiliary Enterprises	1,290,413	---	1,290,413	---	1,290,413
Leases and Rentals	---	2,782	2,782	---	2,782
Cost Reimbursement/Miscellaneous	71,517	1,154	72,671	---	72,671
Total Charges for Services					2,230,727
Federal Appropriations, Grants, and Contracts	236,687	---	236,687	216,111	452,798
State Grants and Contracts	77,625	---	77,625	773,404	851,029
Private Gifts, Grants, and Contracts	78,955	---	78,955	72,730	151,685
Additions to Endowments	---	---	---	29,259	29,259
Total Operating Grants and Contributions					1,484,771
Interest Revenue	1,218	3,513	4,731	(4,731)	---
Total Operating Revenues	2,618,694	10,031	2,628,725	1,086,773	
<b>Expenses:</b>					
Operating Expenses:					
Personal Service	2,197,378	1,567	2,198,945	---	2,198,945
Operations	---	3,333	3,333	---	3,333
Specific Programs	---	2,104	2,104	---	2,104
Scholarships and Fellowships	138,558	---	138,558	---	138,558
Utilities	30,990	---	30,990	---	30,990
Supplies and Other Services	893,291	5	893,296	---	893,296
Contracted Services	22,465	---	22,465	---	22,465
Interest Expense	---	---	---	933	933
Depreciation/Amortization	236,184	1,221	237,405	---	237,405
Bad Debt Expense	---	111	111	---	111
Miscellaneous	28,665	44	28,709	510	29,219
Total Operating Expenses	3,547,531	8,385	3,555,916	1,443	3,557,359
Operating Income (Loss)	(928,837)	1,646	(927,191)	1,085,330	
<b>Non-Operating Revenues (Expenses):</b>					
Federal Appropriations, Grants, and Contracts	216,111	---	216,111	(216,111)	---
State Appropriations, Grants, and Contracts	773,404	---	773,404	(773,404)	---
Private Gifts, Grants, and Contracts	72,730	---	72,730	(72,730)	---
Contributions and Intergovernmental	---	(2,144)	(2,144)	---	2,144
Total Unrestricted Grants and Contributions					2,144
Investment Earnings:					
Increase (Decrease) in the Fair Value of Investments	---	(137)	(137)	---	(137)
Investment and Endowment Income (Loss)	275,913	---	275,913	---	275,913
Interest	(70,780)	814	(69,966)	4,731	(65,235)
Interest and Bond Related Expenses	---	(933)	(933)	933	---
Gain (Loss) on Sale of Capital Assets	79	---	79	(79)	---
Miscellaneous Revenues (Expenses)	(575)	(14)	(589)	589	---
Total Unrestricted Investment Earnings					210,541
Total Non-Operating Revenues (Expenses)	1,266,882	(2,414)	1,264,468	(1,056,071)	
Income Before Other Revenues (Expenses) Or Gains (Losses)	338,045	(768)	337,277	29,259	
State Capital Appropriations	51,295	---	51,295	---	51,295
Total Capital Grants and Contributions					51,295
Additions to Endowments	29,259	---	29,259	(29,259)	---
Change in Net Assets	418,599	(768)	417,831	---	422,119
Net Assets – Beginning of Year (Note 17)	5,182,530	184,774	5,367,304	---	5,367,304
Net Assets – End of Year	\$ 5,601,129	\$ 184,006	\$ 5,785,135	\$ ---	\$ 5,785,135

The notes to the financial statements are an integral part of this statement.



*The Notes to the Financial Statements provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.*

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies**

**A. Financial Statements and Reporting Entity**

The accompanying financial statements of the State of Missouri (primary government) and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The State has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

The financial statements include the departments, agencies, boards, commissions, and other organizational units over which the State has financial accountability. GASB set forth the following criteria in Statement No. 14 – *The Financial Reporting Entity* for determining financial accountability: appointment of a voting majority of an organization's governing body and either: 1) the ability to impose the State's will on the organization; or 2) the organization's ability to provide specific benefits to, or impose specific burdens on, the primary government. Where the State does not appoint a voting majority of the governing body, the entity would still be included if it is fiscally dependent on the State. Statement No. 39 – *Determining Whether Certain Entities are Component Units* added a requirement to include all entities whose relationship with the State would make it misleading to exclude it.

In addition to the legislative, executive, and judicial branches, the following organizations are included in these financial statements:

**Component Units (Blended):**

Blended component units are legally separate entities from the State, but are so intertwined with the State that they are, for all practical purposes, the same as the State. They are reported as part of the primary government and blended into the appropriate funds. The following component units are blended because they provide services entirely or almost entirely to the primary government:

Board of Fund Commissioners – The Board was created by state law and is comprised of the Governor, Lieutenant Governor, Attorney General, State Auditor, State Treasurer, and the Commissioner of Administration. The Board's purpose is to issue, redeem, and cancel state general obligation bonds and perform other administrative activities related to state general obligation debt as assigned by law. Separate financial statements are not required or issued for the Board.

Board of Private Investigator Examiners – The Board was created by state law and is charged with the licensure and regulation of the practice of private investigators in Missouri. The five member board shall consist of three private investigators and two public members, appointed by the Governor. Separate financial statements are not required for the Board.

Board of Unemployment Fund Financing – The Board was created by state law to provide a method of providing funds for the payment of unemployment benefits and maintaining an adequate fund balance in the Unemployment Compensation Fund. The Board is comprised of the Governor, Lieutenant Governor, Attorney General, the Director of the Department of Labor and Industrial Relations, and the Commissioner of Administration. Separate financial statements are not required for the Board.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

Coordinating Board for Early Childhood – The Board was created by state law within the Missouri Children's Services Commission. The Board's purpose is to develop a comprehensive statewide long-range strategic plan for a cohesive early childhood system, and to work with public and private entities for the purpose of promoting and improving the development of Missouri's children from birth through age five. The 17 member Board is composed of representatives from the Governor's office; the following departments: Health and Senior Services, Mental Health, Social Services, and Elementary and Secondary Education; the judiciary; the Family and Community Trust Board; the Head Start Program; and nine members appointed by the Governor. Separate financial statements are not required for the Board.

Missouri Propane Gas Commission – The Commission is responsible for developing comprehensive plans and programs for the prevention, control, and abatement of propane-related accidents in Missouri. The Commission is authorized to regulate the inspection of and provide specifications for propane. The nine member commission is appointed by the Governor with members from various propane-related industries, the Departments of Agriculture and Natural Resources, and one public member.

Missouri State Penitentiary Redevelopment Commission – The Commission was established to coordinate the planning and redevelopment of the old Jefferson City Correctional Center. The ten member commission consists of three members appointed by the Jefferson City mayor, three members appointed by the Cole County Commission, and four members appointed by the Governor. Separate financial statements are not required for the Commission.

Capital Projects Funds:

Missouri Highway 63 Transportation Corporation, and Wentzville Parkway Transportation Corporation – These are reported as a part of the Missouri Road Fund. These transportation corporations are not-for-profit corporations organized under the Missouri Transportation Corporation Act. The corporations were formed to facilitate the construction of highway projects. When the purpose for which each corporation was formed has been complied with and all obligations of the corporation have been paid, the Board of the corporation shall, with the approval of the Missouri Highways and Transportation Commission, dissolve the corporation. Additional information may be requested from:

Missouri Department of Transportation  
Financial Services Division  
P.O. Box 270  
Jefferson City, Missouri 65102

Internal Service Funds:

Board of Public Buildings – This is reported with the State Facility Maintenance and Operation Fund. The Board was created by state law and its governing body is made up of the Governor, the Lieutenant Governor, and the Attorney General. Its purpose is to provide state buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Facilities Management, Design and Construction, and its projects must be approved by the General Assembly. The Board can require state agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and pay the costs of operations.



STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

Conservation Employees' Insurance Plan – The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a five member board of trustees made up of two members of the Plan appointed by the Conservation Commission, the Chief Financial Officer, the Human Resources Division Chief, and the Internal Auditor. Copies of the Plan's financial statements may be requested from:

Missouri Department of Conservation  
P.O. Box 180  
Jefferson City, Missouri 65102

Transportation Self-Insurance Plan – The Plan provides fleet vehicle liability, workers' compensation, and general liability insurance. The Plan is administered by the Missouri Department of Transportation. Additional information may be requested from:

Missouri Department of Transportation  
Financial Services Division  
P.O. Box 270  
Jefferson City, Missouri 65102

Missouri State Employee's Insurance Plan – The Plan was created to provide basic life insurance to eligible members and is administered through the Missouri State Employees' Retirement System (MOSERS). Death benefits, optional life insurance, and long-term disability benefits are also provided by the Plan for certain members. Furthermore, the Plan administers the State's Deferred Compensation Plan through the MOSERS Board of Trustees. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System  
P.O. Box 209  
907 Wildwood Drive  
Jefferson City, Missouri 65102-0209

Missouri Consolidated Health Care Plan (MCHCP) – The Plan was created by state law to provide medical benefits to its members and is administered by a board of trustees. The Board consists of two members of the Senate; two members of the House; six members appointed by the Governor; the Director of the Department of Health and Senior Services; the Director of the Department of Insurance, Financial Institutions and Professional Registration; and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the Board. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan  
P.O. Box 104355  
832 Weathered Rock Court  
Jefferson City, Missouri 65110-4355

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

MoDOT and MSHP Medical and Life Insurance Plan – The Plan provides health and life insurance coverage to eligible employees, retirees, and their dependents of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The Plan is administered by a board of trustees consisting of four active MoDOT employees, one retired MoDOT employee appointed by the Director of MoDOT, two active MSHP employees, and one retired MSHP employee appointed by the Superintendent of MSHP. Additional information may be requested from:

Missouri Department of Transportation  
Financial Services Division  
P.O. Box 270  
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) – The System was created by state law and provides retirement, survivor, disability, and life insurance to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer, and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System  
P.O. Box 209  
907 Wildwood Drive  
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – The System provides retirement, death, and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation) and both uniformed and non-uniformed members of the State Highway Patrol. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the Director of the Missouri Department of Transportation, the Superintendent of the State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by State Highway Patrol employees, one retired member elected by retired MoDOT employees, and one retired member elected by retired State Highway Patrol employees. Copies of the System's financial statements may be requested from:

Missouri Department of Transportation and  
Highway Patrol Employees' Retirement System  
P.O. Box 1930  
Jefferson City, Missouri 65102-1930

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

Missouri Consolidated Health Care Plan (MCHCP) State Retiree Welfare Benefit Trust – The Trust was established on June 27, 2008, to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements, except those covered by other State sponsored post-employment benefit plans. The Trust is administered by the MCHCP board of trustees, which also administers the benefits for the active participants of the Plan. The net assets and activity related to active participants are reported in an internal service fund. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan  
P.O. Box 104355  
832 Weathered Rock Court  
Jefferson City, Missouri 65110-4355

Missouri State Public Employees' Deferred Compensation Plan – The Missouri State Public Employees' Deferred Compensation Plan is administered by ING, and oversight of the Plan is provided by the MOSERS board of trustees. Under this Plan, employees are permitted to defer a portion of their current salary until future years. In addition, eligible employees have the opportunity to participate in the Missouri State Employees' Deferred Compensation Incentive Plan. Under this Plan, the State contributes \$25, \$30, or \$35 per month on behalf of any employee who contributes at least that amount to the Missouri State Public Employees' Deferred Compensation Plan and who has been an employee of the State for at least one year. However, due to budget constraints, the State's contribution amount was suspended in March 2010 until further notice. Copies of financial statements for both Plans may be requested from:

Plan Administrator  
c/o MOSERS  
P.O. Box 209  
907 Wildwood Drive  
Jefferson City, Missouri 65102-0209

**Component Units (Discretely Presented):**

Discretely presented component units are legally separate entities for which the State is financially accountable. The financial data for these entities is reported separately from the financial data of the primary government.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

Major

College and Universities – The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public college and universities included in the financial statements:

**Harris-Stowe State University**  
3026 Laclede Avenue  
St. Louis, Missouri 63103

**Lincoln University**  
207 Young Hall  
820 Chestnut Street  
Jefferson City, Missouri 65101

**Linn State Technical College**  
1 Technology Drive  
Linn, Missouri 65051

**Missouri Southern State University**  
3950 East Newman Road  
Joplin, Missouri 64801-1595

**Missouri State University**  
901 South National, Room 119  
Springfield, Missouri 65897

**Missouri Western State University**  
4525 Downs Drive  
St. Joseph, Missouri 64507

**Northwest Missouri State University**  
105 Administration Building  
800 University Drive  
Maryville, Missouri 64468-6001

**Southeast Missouri State University**  
One University Plaza, Mail Stop 3200  
Cape Girardeau, Missouri 63701

**Truman State University**  
McClain Hall, Room 105  
100 East Normal  
Kirksville, Missouri 63501

**University of Central Missouri**  
316 Administration Building  
Warrensburg, Missouri 64093

**University of Missouri System**  
1000 West Nifong, Building 7, Suite 300  
Columbia, Missouri 65211

Non-Major

Missouri Development Finance Board – The Board was created by state law as an independent, self-supporting, body corporate and politic to promote economic development of the State and was created within the Department of Economic Development. The Board is empowered to issue taxable, tax-exempt, and public purpose infrastructure industrial revenue bonds or notes; provide loans or loan guarantees to eligible businesses; provide loans and grants to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain state income taxes in exchange for contributions made to the Board. The twelve member board is made up of the Lieutenant Governor and the Directors of the Department of Economic Development, the Department of Natural Resources, and the Department of Agriculture, who serve as ex-officio voting members, and eight members appointed by the Governor and confirmed by the Senate. Copies of the Board's financial statements may be requested from:

Missouri Development Finance Board  
Governor Office Building  
200 Madison Street, Suite 1000  
Jefferson City, Missouri 65101

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

Missouri Agricultural and Small Business Development Authority – The Authority was created by state law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements may be requested from:

Missouri Agricultural and Small  
Business Development Authority  
P.O. Box 630  
1616 Missouri Boulevard  
Jefferson City, Missouri 65102

Missouri Transportation Finance Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus state and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation  
Central Office, Financial Services  
105 West Capitol Avenue  
Jefferson City, Missouri 65101

Missouri Wine and Grape Board – The Board was created by state law to further growth and development of the grape growing industry in Missouri and foster the expansion of the grape market for Missouri grapes. The eleven member board consists of seven members representing the grape and wine industry, food service industry, or media marketing industry. The four other members include the director of the Department of Agriculture and the presidents of the Missouri Grape Growers Association, the Missouri Vintners Association, and the Missouri Wine Marketing and Research Council. Copies of the Board's annual report may be requested from:

Missouri Wine and Grape Board  
P.O. Box 630  
1616 Missouri Boulevard  
Jefferson City, Missouri 65102

**Related Organizations**

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

Missouri Housing Development Commission – makes, purchases, and insures mortgage loans which are used to develop new or rehabilitate low and moderate income housing.

Missouri Technology Corporation – promotes the modernization of businesses through the development of science and technology applications.

Missouri Public Entity Risk Management Fund – provides liability protection to participating public entities, their officials, and employees.

State Environmental Improvement and Energy Resources Authority – finances, acquires, constructs, and equips projects to reduce, prevent, and control pollution and develop the energy resources of the State.

Jackson County Sports Complex Authority – responsible for construction, operation, and financing of the Jackson County Sports Complex.

Kansas City Regional Sports Complex Authority – responsible for the study and review of all current major sports leagues, clubs, or franchises in Kansas City.

St. Charles County Convention and Sports Facility Authority – responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area.

Missouri Cotton Growers Organization – organized for boll weevil eradication.

KCT Intermodal Transportation Corporation – organized to pay for a railroad bridge in the Blue Valley Industrial District in Kansas City.

Lake of the Ozarks Community Bridge Corporation – organized to pay for the acquisition and construction of a toll bridge across the Lake of the Ozarks.

Westside Intermodal Transportation Corporation – organized to pay for rail additions and improvements of the Kansas City Terminal Railway.

Universal Service Board – organized to ensure just, reasonable, and affordable rates for comparable essential local telecommunication services throughout the State.

Interstate Commission for Adult Offender Supervision – responsible for promoting public safety and protecting the rights of victims through the control and regulation of the interstate movement of adults placed under community supervision.

Missouri Access to Higher Education Trust Board – responsible for administering the funds of the Higher Education Trust.

Missouri Health Insurance Pool – organized to provide health care coverage for residents who are unable to obtain individual health coverage.

P-20 Council – organized to create a more efficient and effective education system that more adequately prepares students for the challenges of entering the workforce.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

**B. Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements:

The government-wide financial statements focus on the government as a whole. The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Governmental activities include governmental type funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services and consist of enterprise funds.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Indirect costs, such as depreciation/amortization expense, are included in the direct expenses reported for individual functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Fiduciary funds have been excluded from the government-wide financial statements because, by definition, the resources of these funds cannot be used to support government operations. Generally, interfund transactions have also been eliminated. Some interfund transactions, such as the exchange of services, were not eliminated because doing so would mistakenly understate both expenses of the buyer and revenues of the seller.

The difference between fund assets and liabilities is reported as "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on the governmental fund financial statements.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. For governmental and proprietary fund financial statements, the emphasis is on major individual governmental and enterprise funds, with each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Internal service funds are also aggregated and reported in a separate column on the proprietary fund financial statements.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Material revenues susceptible to accrual include federal grants and sales and income taxes. Expenditures are recognized when the related fund liability is incurred except for the following:

- Principal and interest on general long-term debt is recorded as an expenditure when due.
- Compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.
- Inventories are reported as expenditures when purchased, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method.

The proprietary, pension (and other employee benefit) trust, and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The agency fund financial statements are presented on the accrual basis of accounting.

The discretely presented component unit financial statements are presented using the economic resources measurement focus and accrual basis of accounting with the following exception in regard to the college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment.

Missouri Road Fund – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.



STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

State Lottery – accounts for proceeds from the sale of lottery tickets and all other moneys credited to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – accounts for contributions, payments, and federal loans collected under the provisions of the Unemployment Compensation Law to pay benefits.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

**C. Basis of Presentation**

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

Discretely Presented Component Units:

Major

College and Universities account for moneys from federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets/Statement of Activities.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, and grants. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets/Statement of Activities.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

**D. Cash and Cash Equivalents**

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of three months or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Proprietary Funds Statement of Cash Flows are also reported under this definition. Cash balances of most state funds are pooled and invested by the State Treasurer (see *Note 3*).

**E. Investments**

These are long-term investments with an original maturity greater than three months which are expected to be held to maturity and redeemed at face value. The majority of investments are reported in pension (and other employee benefit) trust funds, however, investments are held in all fund types. All investments are reported at fair value (see *Note 3*).

There are multiple funds that have income from investments which are directed to the General Fund. These funds consist of special revenue, enterprise, internal service, private-purpose, and agency funds.

**F. Interfund Receivables/Payables**

The State makes various transactions between funds or between the primary government and component units to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. These receivables at June 30 are classified as “due from other funds” or “due from primary government/component units” on the Balance Sheet and Statement of Net Assets. Payables are classified as “due to other funds” or “due to primary government/component units” on the Balance Sheet and Statement of Net Assets (see *Note 15*). These receivables/payables are due within one year. Any receivables/payables that are due to and due from an enterprise fund are eliminated on the face of the Proprietary Funds Statement of Net Assets. If any receivables/payables that remain after this elimination are both in the same activity (Governmental), they are eliminated at the Government-Wide Statement of Net Assets. Interfund receivables/payables between the primary government and the component units are reclassified as accounts receivable/payable at the government-wide level. Any remaining interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Assets.

**G. Advances to/from Other Funds**

Long-term interfund receivables are classified as “advances to other funds” or “advances to primary government/component units” on the Balance Sheet and Statement of Net Assets. Long-term interfund payables are classified as “advances from other funds” or “advances from primary government/component units” on the Balance Sheet and Statement of Net Assets (see *Note 15*). These receivables/payables are eliminated if both the receivable and payable are in the same activity (Governmental). Advances to/from that are between the primary government and the component units are reclassified as accounts receivable/payable at the government-wide level. Any remaining long-term interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Assets.

**H. Inventories**

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Inventory balances for governmental funds are shown in the nonspendable fund balance classification. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average; weighted average; and first-in, first-out.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

**I. Restricted Assets**

These moneys are restricted by donors and applicable bond indentures:

Restricted for Budget Reserve – An account used to meet the cash flow requirements and program funding requirements of the State.

Restricted for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Restricted for Loans Receivable – An account used to segregate a portion of fund balance to indicate that loans receivable do not represent available, spendable resources.

Restricted for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of permanent funds that is legally restricted for a specific future purpose.

**J. Capital Assets**

Capital assets, which include construction in progress, software in progress, infrastructure in progress, land, land improvements, permanent and temporary easements, buildings and improvements, equipment, software, trademarks, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated fair value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement (see *Notes 5 and 6*).

Infrastructure assets (including highways, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items) are capitalized. Interest costs incurred during construction of capital assets are not capitalized.

The capitalization threshold for all capital assets is as follows: land improvements – \$15,000, buildings and improvements – \$15,000, software and trademarks – \$5,000, and equipment – \$1,000. No dollar threshold is set for land, easements, or infrastructure.

Capital assets are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 to 50 years, land improvements and building improvements – 15 to 20 years, temporary easements – term of easement, equipment – 5 years, software – 3 to 5 years, trademarks – 10 years, and infrastructure – 12 to 50 years. Construction in progress, software in progress, infrastructure in progress, land, and permanent easements are not depreciated/amortized.

Most works of art and historical treasures are not capitalized or depreciated/amortized. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, monuments, and other art throughout the capitol grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component unit capital assets are stated at cost and are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 to 15 years, and software – 3 to 5 years.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

**K. Deferred/Unearned Revenues**

Governmental Funds

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include \$750,699,000 within the General Fund, \$56,924,000 within the major special revenue funds, \$33,730,000 within the Missouri Road Fund, and \$9,822,000 within non-major governmental funds which totals \$851,175,000 for governmental funds. Such amounts have been deemed to be measurable but not available. All major sources of revenue, including taxes; licenses, fees, and permits; and governmental contributions are susceptible to accrual when available within 60 days.

Deferred revenues also include amounts collected in advance of the year in which earned. The State has reported as such deferred revenues the amount of \$182,239,000 within the General Fund, \$475,000 within major special revenue funds, \$7,098,000 within the Missouri Road Fund, and \$10,000 within non-major governmental funds which totals \$189,822,000 for governmental funds.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$33,264,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is \$543,000 which is from the Petroleum Storage Tank Insurance Fund.

Fiduciary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$4,924,000 within the Pension (and other employee benefits) Trust funds.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$106,434,000 within the college and universities and \$1,037,000 in non-major component units which is a total of \$107,471,000 of unearned revenue for component units.

**L. Long-Term Debt**

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for the long-term liabilities of governmental funds. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments and contractual obligations to other governments. The expenditures are recorded in the appropriate governmental funds when the liability is paid (see *Note 11*).
2. Outstanding principal for general obligation debt. The expenditure for payment of principal and interest for general obligation debt is recorded in the debt service funds when paid (see *Note 12*).

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

3. Outstanding principal for bonds issued by the Board of Public Buildings, State Road Bonds issued by the Missouri Highways and Transportation Commission, and bonds issued by the Health and Educational Facilities Authority and the Regional Convention and Sports Complex Authority. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12*).
4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 11*).

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various special revenue funds, proprietary funds, and the Missouri Road Fund (see *Notes 6 and 11*).
6. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid (see *Note 11*).

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

7. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 21, and 23*).
8. Pollution remediation liabilities are measured based on the pollution remediation outlays expected to be incurred to settle those liabilities. These liabilities include all remediation work that the State expects to perform, including work expected to be performed for other responsible parties or potentially responsible parties, whether or not the State is required to do that work. For goods or services used for pollution remediation activities, amounts that are normally expected to be liquidated with expendable available financial resources are recognized as liabilities upon receipt of those goods and services (see *Note 11 and 22*).

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

**M. Net Assets**

Net Assets are reported in three categories:

Invested in Capital Assets, Net of Related Debt – An account used to segregate the portion of net assets attributable to capital assets and related debt. It consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes and other debt that are attributed to acquisition, construction, or improvement of those assets.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

Restricted Net Assets – An account used to segregate the portion of net assets that have constraints on their use, which are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. At June 30, 2011, net assets restricted by enabling legislation equaled \$502,147,000 for governmental activities.

Unrestricted Net Assets – An account used to segregate the portion of net assets that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, generally the State uses restricted resources first, then unrestricted resources as they are needed. However, there may be instances in which restricted funds may only be spent in proportion to unrestricted funds spent.

**N. Revenues**

The revenues of the General Fund include federal grants and contributions of \$10,438,066,000. Revenues for all funds are reported net of refunds of \$2,088,195,000.

**O. Interfund Transactions**

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, acquire capital assets, and service debt. Interfund transactions basically consist of these three types:

1. Transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the State are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to internal service funds from other funds for services rendered and to agency funds for contributions for employee benefits.
2. Transactions that reimburse another fund for an expense. These transactions reduce the expenses of the fund that is being reimbursed and increase the expenses for the fund doing the reimbursement. Therefore, they are not shown on the face of the statements.
3. Operating subsidies and transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers (see *Note 16*). These transactions are eliminated on the face of the financial statements if the transfer in and transfer out are either both in governmental funds or both in enterprise funds. Of the remaining transfers, any transfers in and transfers out that are within the same activity (Governmental) are eliminated at the Government-Wide Statement of Activities.

**P. Expenditures and Expenses**

Expenditures and expenses are reported net of revenue over collections of \$1,521,592,000 and \$826,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts, and for cost reimbursements of \$564,523,000 and \$1,254,000, respectively.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 1 – Significant Accounting Policies (cont.)**

**Q. Property Taxes**

Presently there is a state property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund, which is a component of social assistance.

The property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32%, and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

**Note 2 – Reporting Changes and Classifications**

The State of Missouri implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year ending June 30, 2011:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes a hierarchy of fund balance classifications and clarifies the definitions of existing governmental fund types. A breakdown of the fund balance classifications shown on the governmental fund Balance Sheets can be found in *Note 4 – Governmental Fund Balances*.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which contains provisions that modify existing financial reporting requirements for certain financial instruments and external investment pools. This statement affects the disclosures found in *Note 3 – Deposits and Investments*.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain FASB and AICPA pronouncements issued prior to November 30, 1989. This statement has no impact on the State's CAFR.

The State of Missouri has reclassified 80 funds for the fiscal year ended June 30, 2011, within the general fund and special revenue funds. These funds were reclassified due to the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Transportation and Law Enforcement was reclassified from a major fund to a non-major fund.

**Note 3 – Deposits and Investments**

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents," "Investments," "Restricted Assets – Cash and Cash Equivalents," and "Restricted Assets – Investments" as reported at June 30, 2011.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 3 – Deposits and Investments (cont.)**

**A. Deposits**

The State minimizes custodial credit risk by restrictions set forth in state law and stipulations in the State Treasurer's Office Investment Policy. Custodial credit risk is risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateralized securities that are in the possession of an outside party. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri, which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50% at the time of deposit and deposits must be collateralized at least 100% with approved securities. Deposits must have a maturity of five years or less and earn interest at varying rates based on State law.

Primary Government

At June 30, 2011, the bank balance of the primary government's deposits was \$979,455,000. Of the bank amount, \$19,998,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution.

Fiduciary

At June 30, 2011, the bank balance of the deposits of the fiduciary funds was \$399,314,000. None of these deposits were exposed to custodial credit risk.

Component Units

Information on the component units deposits is available within their individual financial statements.

**B. Investments**

Statutes authorize the State Treasurer to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within 90 days secured by U.S. Treasury or Agency securities of any maturity. The internal service funds, the agency and pension (and other employee benefit) trust funds, and the component units, in accordance with statutory authority, invest primarily in U.S. government securities, repurchase agreements, preferred and common stocks, bonds, real estate, and fixed income securities. There have been no violations of these investment restrictions during fiscal year 2011.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the State will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Bank of New York.



STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**Note 3 – Deposits and Investments (cont.)**

Primary Government

At June 30, 2011, the reported amount of the primary government's investments was \$3,730,488,000. Of this amount, \$126,694,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty.

Fiduciary

At June 30, 2011, the reported amount of the fiduciary funds investments was \$11,181,310,000.

Component Units

Information on the component units investments is available within their individual financial statements.

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40% of the portfolio's total market value in securities with a maturity of 12 months or less.

	Maturities in Years					Total Fair Value
	Less than 1	1-5	6-10	More than 10	No Maturity	
All Fund Types except Fiduciary Funds and Component Units:						
U.S. Government Securities	\$ 1,254	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,254
U.S. Treasury Securities	286,045	118,505	12,773	11,348	---	428,671
U.S. Agency Securities	168,946	32,342	---	---	---	201,288
U.S. Government Guaranteed Mortgages	2,676	---	---	---	---	2,676
U.S. Government Mortgage-Backed Securities	275,352	1,404,881	334	1,312	300	1,682,179
U.S. Agency-Sponsored Securities	41,685	62,299	---	---	---	103,984
Repurchase Agreements	1,233,921	---	---	---	---	1,233,921
Stocks	---	---	---	---	5,177	5,177
Bonds	---	658	---	---	---	658
Mutual Funds	---	---	---	---	2,295	2,295
Commercial Paper	62,683	---	---	---	---	62,683
Short-Term Securities	2,442	---	---	---	1,494	3,936
Other	---	888	878	---	---	1,766
Subtotal	2,075,004	1,619,573	13,985	12,660	9,266	3,730,488

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 3 – Deposits and Investments (cont.)**

	Maturities in Years					Total Fair Value
	Less than 1	1-5	6-10	More than 10	No Maturity	
Fiduciary Funds:						
U.S. Government Securities	74,366	36,526	19,650	11,230	---	141,772
U.S. Treasury Securities	1,000	462,944	313,803	4,305	---	782,052
U.S. Agency Securities	2,240	13,107	10,224	---	---	25,571
U.S. Government Mortgage-Backed Securities	1,917	8,568	16,786	43,014	---	70,285
U.S. Agency-Sponsored Securities	46,048	9,067	---	---	---	55,115
Repurchase Agreements	88,825	---	---	---	---	88,825
Stocks	---	---	---	---	1,577,316	1,577,316
Bonds	125,855	14,782	27,601	17,225	---	185,463
International Equities	---	---	---	---	929,514	929,514
Mortgages/Real Estate	166,582	---	19,103	83,572	143,696	412,953
Asset-Backed Securities	---	989	1,963	628	---	3,580
Short-Term Securities	823,309	---	---	---	---	823,309
Mutual Funds	---	730,895	4,277	15,974	802,327	1,553,473
Venture Capital Limited Partnership	---	---	---	---	4,211,892	4,211,892
Absolute Return	---	---	---	---	153,035	153,035
Tactical Fixed Income	---	---	---	---	81,496	81,496
Other	73,302	---	---	12,357	---	85,659
Subtotal	<u>1,403,444</u>	<u>1,276,878</u>	<u>413,407</u>	<u>188,305</u>	<u>7,899,276</u>	<u>11,181,310</u>
Total Investments	<u>\$ 3,478,448</u>	<u>\$ 2,896,451</u>	<u>\$ 427,392</u>	<u>\$ 200,965</u>	<u>\$ 7,908,542</u>	<u>\$ 14,911,798</u>

The State minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer from investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15% of the total portfolio invested in repurchase agreements with a single counterparty. During fiscal year 2011, the State did not have more than 5% of total investments in a single issuer.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 3 – Deposits and Investments (cont.)**

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S & P). The Treasurer does not have any additional policies regarding credit ratings of investments. The following table (in thousands of dollars) provides information on the credit ratings associated with the State's investments in debt securities.

	Moody's	S & P	Fair Value
Primary Government/Fiduciary:			
U.S. Government Securities		Treasury	\$ 67,406
U.S. Treasury	Aaa	AAA	334,152
		AAA	218
U.S. Agencies	Aaa	AAA	211,712
	AAA	AA+	2,041
		AAA	11,903
U.S. Government Mortgage- Backed Securities	Aaa	AAA	3,611
	AAA	AA+	2,015
		Agency	59,527
		Not Rated	273
Bonds	Aaa		217
	Aa2		106
	Aa3		227
	A1	A+	15,353
	A1		108
		AAA	10,814
		AA+	1,363
		AA	18,310
		AA-	2,289
		A+	3,772
		A	102,114
		A-	1,484
		BBB+	2,375
		BBB	6,633
		BBB-	7,761
		BB+	1,154
		BB	25,784
		B	33,326
		CCC	16,715
		CC	1,419
		D	13,037
		Agency	64,041
		Not Rated	2,514
Repurchase Agreements	Unrated	Unrated	1,213,394
U.S. Agency-Sponsored Securities	Aaa	AAA	1,750,460
	Aaa		16,146
		AAA	28,029
Short-Term Securities	Unrated		2,442

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 3 – Deposits and Investments (cont.)**

	Moody's	S & P	Fair Value
Asset-Backed Securities		AAA	538
		AA	310
		A	1,545
		BBB	7,679
		BB	537
		BB-	182
		B	7,290
		CCC	1,143
		CC	2,269
		D	646
		Agency	21,517
		Not Rated	711
Mutual Funds	AAA		8,627
	AA3		721,466
	BBB		5,079
		3-STAR	15,974
Pooled Investments		AAA	70,574
Commerical Paper	Aaa	AAA	61,683
	A-1	P-1	1,000
Other	Aa1		448
	Aa2		318
	Aa3		421
	Aaa	AAA	19,103
	Aaa		319
		AAA	8,910
		AA	505
		A+	4,381
		A	19,043
		A-	14,817
		BBB+	6,656
		BBB	21,564
		BBB-	148
		BB+	1,859
		BB	46,903
		BB-	5,452
		B+	15,203
		B	47,395
		B-	2,216
		CCC	41,531
		CCC-	770
		CC	9,130
		D	27,754
		Agency	70,517
		Not Rated	20,621
	Not Rated		260
Total Rated Investments			<u>\$ 5,349,259</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 3 – Deposits and Investments (cont.)**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's Office does not have any deposits or investments in foreign currency and therefore does not have a policy regarding foreign currency risk. The Missouri State Employees' Retirement System and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System do have foreign currency deposits and investments which may be used for hedging purposes. The following table (in thousands of dollars) provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars.

Currency	Investment Type					Total
	Cash	Equities	Fixed Income	Alternatives	Real Estate	
Argentine Peso	\$ ---	\$ ---	\$ 92	\$ ---	\$ ---	\$ 92
Australian Dollar	176	8,474	---	---	---	8,650
Brazilian Real	50	28,465	7,197	---	---	35,712
Canadian Dollar	129	1,115	352	---	---	1,596
Chilean Peso	---	1,095	---	---	---	1,095
Chinese Yuan						
Renminbi	---	56	---	---	---	56
Colombian Peso	---	547	3,191	---	---	3,738
Czech Koruna	---	2,597	---	---	---	2,597
Danish Krone	1	5,806	---	---	---	5,807
Egyptian Pound	---	2,567	---	---	---	2,567
Euro	5,478	180,687	7,754	66,930	13,534	274,383
Hong Kong Dollar	3	82,245	---	---	---	82,248
Hungarian Forint	1	3,258	763	---	---	4,022
Indian Rupee	---	12,968	---	---	---	12,968
Indonesian Rupiah	---	9,855	5,699	---	---	15,554
Japanese Yen	776	344,762	---	---	---	345,538
Malaysian Ringgit	---	6,914	5,963	---	---	12,877
Mexican Peso	---	13,609	6,392	---	---	20,001
Moroccan Dirham	---	334	---	---	---	334
Philippine Peso	2	1,417	483	---	---	1,902
Polish Zloty	---	5,301	4,049	---	---	9,350
Russian Ruble	---	733	---	---	---	733
Singapore Dollar	186	35,730	---	---	---	35,916
South African Rand	---	10,851	5,989	---	---	16,840
South Korean Won	85	48,215	2,091	---	---	50,391
Sri Lanka Rupee	---	188	---	---	---	188
Swedish Krona	4	11,663	---	---	---	11,667
Swiss Franc	---	97,582	---	---	---	97,582
Taiwan Dollar	699	41,368	---	---	---	42,067
Thai Baht	---	17,748	2,891	---	---	20,639
Turkish Lira	---	9,435	3,368	---	---	12,803
United Kingdom						
Pound Sterling	1,092	111,593	1,953	---	---	114,638
Venezuelan Bolivar	54	---	---	---	---	54
Total	<u>\$ 8,736</u>	<u>\$ 1,097,178</u>	<u>\$ 58,227</u>	<u>\$ 66,930</u>	<u>\$ 13,534</u>	<u>\$ 1,244,605</u>

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 3 – Deposits and Investments (cont.)**

**C. Securities Lending Program**

State Treasurer's Office:

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. As of November 2008, Clearland Securities, a division of Wells Fargo, began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75% of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102% of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

At June 30, 2011, the State Treasurer's Office had an aggregate fair value of securities lent of \$205,013,000 and an aggregate fair value of collateral received of \$205,013,000.

Missouri State Employees' Retirement System:

The Missouri State Employees' Retirement System's (MOSERS) board of trustees' investment policies permit the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities without borrower default. On June 30, 2011, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

Deutsche Bank AG, New York Branch served as the agent for the fixed income domestic equity and international equity securities lending programs. MOSERS reduces credit risk by allowing Deutsche Bank to lend these securities to a diverse group of dealers on behalf of MOSERS. Deutsche Bank provides indemnification against dealer default.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. The majority of the security loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral is invested in short-term investment funds, managed by Deutsche Bank. On June 30, 2011, the cash collateral fund had a market value of \$643,085,000 and a weighted average maturity of 11 days. At June 30, 2011 and 2010, MOSERS had earned \$1,534,000 and \$1,204,000, respectively, on the securities lending program.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 3 – Deposits and Investments (cont.)**

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

In accordance with the investment policies set by the board of trustees, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. The System cannot pledge or sell non-cash collateral unless a borrower defaults. Borrowers were required to deliver collateral for each loan equal to: 1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities plus any accrued interest; and 2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities plus any accrued interest.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no known failures by any borrowers to return loaned securities or pay distributions thereon during the year.

The System and borrowers maintained the right to terminate all securities lending transactions on demand. At June 30, 2011, the cash collateral fund had a market value of \$60,134,000.

At June 30, 2011, the System had earned \$110,000, and at June 30, 2010, the System had lost \$22,000 on the securities lending program.

Component Units:

Information on the component units securities lending program is available within their individual financial statements.

**D. Derivatives**

Missouri State Employees' Retirement System (MOSERS), through its external investment managers, has an investment policy which holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the swap arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS anticipates that the counterparties will be able to satisfy their obligation as credit evaluations and credit limits are monitored by the investment managers. MOSERS also invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. At June 30, 2011, MOSERS Foreign Currency Forward Contracts had a pending receivable of \$392,000 and a pending payable of \$8,778,000 resulting in a final liability of \$8,386,000.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 3 – Deposits and Investments (cont.)**

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2011. The investments are reported at fair value and are included on the Statement of Fiduciary Net Assets of the pension (and other employee benefit) trust funds.

Futures Contracts:

<u>Notional Amount</u>	<u>Exposure</u>
\$ 871,902,000	\$ 770,000

Swaps:

<u>Notional Amount</u>	<u>Counterparty Exposure</u>
\$ 1,354,979,000	\$ 21,231,000

Component Units:

Information on the component units derivatives is available within their individual financial statements.

**Note 4 – Governmental Fund Balance**

**A. Governmental Fund Balance Classifications**

The State's fund balances are classified as:

Nonspendable – Amounts that are not expected to be converted to cash or amounts that are legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted for specific purpose due to constraints that are externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the legislature.

Assigned – Amounts that are constrained by the legislature's intent to be used for a specific purpose, but do not meet the criteria for restricted or committed.

Unassigned – Amounts that do not meet the criteria of any of the classifications listed above.



STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 4 – Governmental Fund Balance (cont.)**

**Fund Balance Classifications by Purpose** – In the basic financial statements, the fund balance classifications are presented in the aggregate. The following displays the fund balances by major purpose (in thousands of dollars):

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
<b>General Fund</b>				
Inventories	\$ 20,584	\$ ---	\$ ---	\$ ---
Loans Receivable	22,322	---	---	---
General Government	---	39,764	---	17,020
Natural and Economic Resources	---	31,223	5,720	19,049
Education	---	2,586	---	16,483
Human Services	---	363,274	---	---
Transportation and Law Enforcement	---	38,341	---	126
Budget Reserve	---	---	506,903	---
Forfeited Financial Instruments	---	---	---	2,317
Taxes	---	---	---	4,893
Total	<u>\$ 42,906</u>	<u>\$ 475,188</u>	<u>\$ 512,623</u>	<u>\$ 59,888</u>
<b>Public Education</b>				
Inventories	\$ 15	\$ ---	\$ ---	\$ ---
Education	---	296,405	8,239	29,050
Human Services	---	---	---	9,385
Total	<u>\$ 15</u>	<u>\$ 296,405</u>	<u>\$ 8,239</u>	<u>\$ 38,435</u>
<b>Conservation and Environmental Protection</b>				
Inventories	\$ 553	\$ ---	\$ ---	\$ ---
Loans Receivable	922,981	---	---	---
Natural and Economic Resources	---	111,501	245,020	78,718
Transportation and Law Enforcement	---	---	---	797
Forfeited Financial Instruments	---	---	---	1,884
Total	<u>\$ 923,534</u>	<u>\$ 111,501</u>	<u>\$ 245,020</u>	<u>\$ 81,399</u>
<b>Missouri Road Fund</b>				
Inventories	\$ 46,731	\$ ---	\$ ---	\$ ---
Transportation and Law Enforcement	---	1,398,542	---	---
Total	<u>\$ 46,731</u>	<u>\$ 1,398,542</u>	<u>\$ ---</u>	<u>\$ ---</u>
<b>Non-Major Special Revenue</b>				
Inventories	\$ 3,776	\$ ---	\$ ---	\$ ---
Loans Receivable	3,175	---	---	---
General Government	---	1,434	96	4,736
Natural and Economic Resources	---	114,212	12,926	45,649
Human Services	---	38,940	16,451	2,981
Transportation and Law Enforcement	---	57,759	1,712	165,870
Total	<u>\$ 6,951</u>	<u>\$ 212,345</u>	<u>\$ 31,185</u>	<u>\$ 219,236</u>

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 4 – Governmental Fund Balance (cont.)**

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
<b>Non-Major Debt Service</b>				
General Government	\$ ---	\$ 76,918	\$ ---	\$ ---
Transportation and Law Enforcement	---	35,040	---	---
Total	<u>\$ ---</u>	<u>\$ 111,958</u>	<u>\$ ---</u>	<u>\$ ---</u>
<b>Non-Major Capital Projects</b>				
General Government	\$ ---	\$ 2,583	\$ ---	\$ ---
Transportation and Law Enforcement	---	19,173	---	---
Total	<u>\$ ---</u>	<u>\$ 21,756</u>	<u>\$ ---</u>	<u>\$ ---</u>
<b>Non-Major Permanent Funds</b>				
Trust Principal	\$ 39,750	\$ ---	\$ ---	\$ ---
Natural and Economic Resources	---	---	---	115
Human Services	---	---	---	4
Total	<u>\$ 39,750</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 119</u>

**B. Negative Fund Balance**

A negative fund balance is prohibited in all fund balance classifications except Unassigned. When a negative fund balance exists, the shortfall would be covered by the next fund balance classification for that specific purpose.

**C. Budget Reserve Fund**

The Budget Reserve Fund is established in Article IV, Section 27(a) of the Missouri Constitution. The Commissioner of Administration may transfer amounts from the Budget Reserve Fund to any other fund when necessary to meet the cash requirements of the State. However, the Budget Reserve Fund must be paid back with interest prior to May 16<sup>th</sup> of the fiscal year in which the transfer was made.

Budget stabilization expenditures may occur in a fiscal year in which the governor reduces the expenditures of the State or any of its agencies below their appropriation or in which there is a budget need due to a natural disaster as proclaimed by the governor to be an emergency. An appropriation from the Budget Reserve Fund may be granted by a two-thirds vote of the members elected to each house. The maximum amount which may be appropriated at any one time for budget stabilization purposes is one-half the sum of the balance of the Budget Reserve Fund and any amounts appropriated or otherwise owed to the fund, less all amounts owed to the fund for budget stabilization purposes but not yet appropriated for repayment to the fund. One-third of the amount expended or transferred from the Budget Reserve Fund for budget stabilization purposes plus interest shall stand appropriated to the Budget Reserve Fund during each of the next three fiscal years from the fund which received the budget stabilization appropriation. The balance of the Budget Reserve Fund at June 30, 2011, was \$506,903,000.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows (in thousands of dollars):

	*Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress .....	\$ 519,464	\$ 132,474	\$ (353,330)	\$ 298,608
Software in Progress .....	29,390	26,368	(4,221)	51,537
Infrastructure in Progress .....	2,729,897	1,202,043	(744,940)	3,187,000
Land .....	2,869,843	46,614	(11,620)	2,904,837
Permanent Easements .....	1,462	91	---	1,553
Total Capital Assets not being Depreciated/Amortized.....	6,150,056	1,407,590	(1,114,111)	6,443,535
Capital Assets being Depreciated/Amortized:				
Land Improvements .....	161,601	22,695	(18)	184,278
Temporary Easements.....	6,495	295	(1,762)	5,028
Buildings and Improvements .....	2,918,898	283,300	(5,544)	3,196,654
Equipment.....	1,184,249	99,156	(77,513)	1,205,892
Software .....	37,638	8,623	---	46,261
Trademarks .....	---	17	---	17
Infrastructure .....	43,589,498	744,939	(79,048)	44,255,389
Total Capital Assets being Depreciated/Amortized.....	47,898,379	1,159,025	(163,885)	48,893,519
Less Accumulated Depreciation/Amortization for:				
Land Improvements .....	(84,588)	(4,395)	18	(88,965)
Temporary Easements.....	(2,131)	(2,165)	1,762	(2,534)
Buildings and Improvements .....	(1,168,163)	(95,340)	2,655	(1,260,848)
Equipment.....	(839,606)	(90,102)	71,590	(858,118)
Software .....	(21,554)	(5,447)	---	(27,001)
Infrastructure .....	(21,839,004)	(697,889)	79,048	(22,457,845)
Total Accumulated Depreciation/Amortization ...	(23,955,046)	(895,338)	155,073	(24,695,311)
Total Capital Assets being Depreciated/Amortized, Net .....	23,943,333	263,687	(8,812)	24,198,208
Governmental Activities Capital Assets, Net.....	\$ 30,093,389	\$ 1,671,277	\$ (1,122,923)	\$ 30,641,743
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress .....	\$ 6,311	\$ 2,972	\$ (1,909)	\$ 7,374
Land .....	8,940	411	---	9,351
Total Capital Assets not being Depreciated/Amortized.....	15,251	3,383	(1,909)	16,725
Capital Assets being Depreciated/Amortized:				
Land Improvements .....	7,493	1,319	---	8,812
Temporary Easements.....	50	---	---	50
Buildings and Improvements .....	28,386	2,394	---	30,780
Equipment.....	44,558	3,773	(1,826)	46,505
Software .....	1,676	37	---	1,713
Total Capital Assets being Depreciated/Amortized	82,163	7,523	(1,826)	87,860
Less Accumulated Depreciation/Amortization for:				
Land Improvements .....	(4,099)	(259)	---	(4,358)
Temporary Easements.....	(10)	(2)	---	(12)
Buildings and Improvements .....	(15,472)	(826)	---	(16,298)
Equipment.....	(30,473)	(3,341)	1,687	(32,127)
Software .....	(1,254)	(180)	---	(1,434)
Total Accumulated Depreciation/Amortization ...	(51,308)	(4,608)	1,687	(54,229)
Total Capital Assets being Depreciated/Amortized, Net .....	30,855	2,915	(139)	33,631
Business-Type Activities Capital Assets, Net.....	\$ 46,106	\$ 6,298	\$ (2,048)	\$ 50,356

\*Beginning balances as of July 1, 2010 have been restated (see *Note 17*).

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 5 – Capital Assets (cont.)**

Depreciation/amortization expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government .....	\$ 33,543
Education .....	3,480
Natural and Economic Resources .....	19,595
Transportation and Law Enforcement .....	775,507
Human Services .....	<u>63,213</u>
Total .....	<u>\$ 895,338</u>

**Discretely Presented Component Units**

The following table summarizes net capital assets reported by the discretely presented component units (in thousands of dollars):

	College and Universities	Non-Major Component Units	Total
Capital Assets not being Depreciated/Amortized:			
Construction in Progress.....	\$ 208,293	\$ ---	\$ 208,293
Land.....	146,542	7,220	153,762
Other Non-Depreciable/Amortizable Assets.....	<u>21,236</u>	<u>---</u>	<u>21,236</u>
Total Capital Assets not being Depreciated/Amortized....	<u>376,071</u>	<u>7,220</u>	<u>383,291</u>
Capital Assets being Depreciated/Amortized:			
Land Improvements .....	29,267	---	29,267
Buildings and Improvements .....	4,966,432	47,224	5,013,656
Equipment, Fixtures, and Books .....	1,225,974	190	1,226,164
Software .....	98,078	15	98,093
Infrastructure .....	<u>465,961</u>	<u>---</u>	<u>465,961</u>
Total Capital Assets being Depreciated/Amortized .....	<u>6,785,712</u>	<u>47,429</u>	<u>6,833,141</u>
Less Total Accumulated Depreciation/Amortization .....	<u>(2,810,663)</u>	<u>(7,330)</u>	<u>(2,817,993)</u>
Total Capital Assets being Depreciated/Amortized, Net...	<u>3,975,049</u>	<u>40,099</u>	<u>4,015,148</u>
Discretely Presented Component Units –			
Capital Assets, Net .....	<u>\$ 4,351,120</u>	<u>\$ 47,319</u>	<u>\$ 4,398,439</u>

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 6 – Leases**

**Capital**

The State has entered into various agreements to lease land, buildings, and equipment. FASB Statement No. 13, *Accounting for Leases*, requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee (a capital lease).

Capital leases for the internal service funds, enterprise, and college and universities are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of governmental type funds. However, the capital leases and related assets of governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Internal Service Funds	Enterprise Funds	College and Universities
2012	\$ 12,681	\$ 3,975	\$ 39	\$ 6,392
2013	12,151	4,151	24	6,191
2014	10,174	4,174	5	6,190
2015	9,219	4,066	---	6,190
2016	7,845	1,666	---	6,184
2017-2021	34,415	1,150	---	27,787
2022-2026	8,710	---	---	14,463
Total Minimum Lease Payments	95,195	19,182	68	73,397
Less Amount Representing Interest	(14,950)	(1,327)	(2)	(22,095)
Present Value of Net Minimum Lease Payments	<u>\$ 80,245</u>	<u>\$ 17,855</u>	<u>\$ 66</u>	<u>\$ 51,302</u>

The State has entered into a lease with the Missouri Development Finance Board. The State's obligation under the lease does not constitute a general obligation or other indebtedness of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the Leasehold Revenue Bonds issued by the Board. In November 2005, the Board issued \$28,995,000 of Leasehold Revenue Bonds Series 2005 for the purpose of purchasing buildings in Florissant, St. Louis, and Jennings. In May 2006, the Board issued \$9,865,000 of Leasehold Revenue Bonds Series 2006 for the purpose of purchasing one building in St. Louis. The payments on this lease are subject to annual appropriation by the State legislature.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 6 – Leases (cont.)**

Following is a summary of the future minimum lease payments to pay interest and principal of the Leasehold Revenue Bonds (in thousands of dollars):

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Internal Service</u> <u>Funds</u>
2012	\$ 2,600
2013	2,602
2014	2,593
2015	2,593
2016	2,592
2017–2021	12,880
2022–2026	12,856
2027–2031	12,830
Total Minimum Lease Payments	51,546
Less Amount Representing Interest	(17,666)
Present Value of Net Minimum Lease Payments	<u>\$ 33,880</u>

Series A 2005 Refunding Certificates of Participation dated March 1, 2005, in the amount of \$120,490,000 refunded \$13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, \$13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, \$9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and \$83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999. The State issued Refunding Certificates of Participation Series A 2011 dated June 7, 2011, in the amount of \$76,910,000. The Refunding Certificates of Participation refunded \$76,065,000 of Series A 2005 Refunding Certificates of Participation.

The State also issued Certificates of Participation Series 2002 dated December 15, 2002, in the amount of \$4,700,000 for the Conservation Commission of the State of Missouri Project.

The State's obligation under these leases does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate, and are subject to annual appropriation by the State legislature.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 6 – Leases (cont.)**

Following is a summary of the future minimum lease payments for the Certificates of Participation (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>
2012	\$ 1,715
2013	1,307
2014	12,984
2015	13,666
2016	13,666
2017–2019	41,000
Total Minimum Lease Payments	84,338
Less Amount Representing Interest	(6,793)
Present Value of Net Minimum Lease Payments	<u>\$ 77,545</u>

Assets acquired through these capital lease agreements are recorded as capital assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is the value of the property under capital lease by asset category as of June 30, 2011 (in thousands of dollars):

	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Enterprise Funds</u>	<u>College and Universities</u>
Buildings	\$ 232,291	\$ 39,875	\$ ---	\$ 8,332
Equipment	14,455	19,556	358	52,768
	<u>\$ 246,746</u>	<u>\$ 59,431</u>	<u>\$ 358</u>	<u>\$ 61,100</u>

**Operating**

The State has entered into various operating leases for land, buildings, and equipment. Most of these leases are classified as operating because the lease period is one year with multiple renewal options. Future minimum commitments due under operating leases as of June 30, 2011, were as follows (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Component Units</u>
2012	\$ 52,595	\$ 3,281	\$ 6,563
2013	848	3,229	3,435
2014	821	3,173	2,944
2015	774	3,000	1,913
2016	750	---	1,172
2017–2021	1,688	---	304
2022–2026	325	---	---
Total Minimum Commitments	<u>\$ 57,801</u>	<u>\$ 12,683</u>	<u>\$ 16,331</u>

Expenditures for rent under operating leases for the years ended June 30, 2011 and June 30, 2010 were \$51,028,000 and \$57,341,000, respectively.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 6 – Leases (cont.)**

**Rental Revenue**

The State leases certain state owned facilities to entities outside the State. These lessor arrangements are generally long-term commitments which either generate revenue from otherwise idle property or better serve Missouri's citizens by providing convenient access to products and services. The total asset value of the leased facilities is \$5.2 million for primary government and \$83.3 million for component units. The Department of Natural Resources (DNR) has \$62,000 in income from easements on DNR property. This income will be received in perpetuity. The contract conditions and amount for each individual easement can change with the sale of the property requiring the easement. New contracts will be negotiated with new property owners. Future minimum receivables, payable from lessor arrangements as of June 30, 2011, were as follows (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2012	\$ 121	\$ 3,786
2013	---	3,700
2014	---	3,510
2015	---	3,631
2016	---	3,660
2017-2021	---	15,375
2022-2026	---	13,809
2027-2031	---	13,634
2032-2036	---	13,922
2037-2041	---	14,292
2042-2046	---	6,121
2047-2051	---	2,722
2052-2056	---	1,789
2057-2061	---	1,788
2062-2066	---	736
2067-2071	---	500
2072-2076	---	500
2077-2081	---	500
2082-2086	---	500
2087-2091	---	500
2092-2096	---	50
Total Minimum Receivables	<u>\$ 121</u>	<u>\$ 105,025</u>

**Note 7 – Retirement Systems**

The State has two major retirement systems which cover substantially all state employees. These systems are Missouri State Employees' Retirement System (MOSERS) and Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The University of Missouri's Retirement Plan is included because the University is a component unit of the State. The Public School Retirement System of Missouri is included in this note disclosure as the State contributes to it.

**Plan Descriptions**

The Missouri State Employees' Plan (MSEP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The Plans are administered in accordance with Sections 104.010 and 104.312-104.1215, and 476.445-476.690, RSMo, respectively.



**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 7 – Retirement Systems (cont.)**

The MSEP has three benefit structures known as MSEP (closed plan), MSEP 2000, and MSEP 2011. The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000 and before January 2011. MSEP 2011 covers all full-time employees first hired on or after January 1, 2011. Members of the closed plan have the option at retirement to choose between the benefit structure of the MSEP or MSEP 2000.

The Judicial Plan covers eligible members appointed/elected before January 1, 2011. The Judicial Plan 2011 covers eligible members appointed/elected for the first time on or after January 1, 2011.

MOSERS provides retirement, survivor, and disability benefits to its members. Employees covered by the MSEP and the MSEP 2000 plans are fully vested after 5 years of creditable service (4 years for elected officials and either 4 or 6 years for legislators). Employees covered by the MSEP 2011 plan are fully vested after 10 years of creditable service. The retirement eligibility requirements are as follows:

**MSEP**

Age 65 and active with 4 years of service  
Age 65 with 5 years of service  
Age 60 with 15 years of service  
Age 48 with age and service equaling 80 or more (Rule of 80)  
Employees may retire early at age 55 with at least 10 years of service with reduced benefits.

**MSEP 2011**

Age 67 with 10 years of service  
Age 55 with age and service equaling 90 or more (Rule of 90)  
Employees may retire early at age 62 with at least 10 years of service with reduced benefits.

**MSEP 2000**

Age 62 with 5 years of service  
Age 48 with age and service equaling 80 or more (Rule of 80)  
Employees may retire early at age 57 with at least 5 years of service with reduced benefits.

**Judicial Plan**

Age 62 with 12 years of service  
Age 60 with 15 years of service  
Age 55 with 20 years of service  
Employees may retire early at age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit that is based upon years of service relative to 12 or 15 years.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the percentage increase in the average Consumer Price Index (CPI) from one year to the next, with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP and the Judicial Plan may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than \$10,000.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer defined benefit public employees' retirement system administered in accordance with Sections 104.010-104.1093, RSMo.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 7 – Retirement Systems (cont.)**

MPERS membership is composed of qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff.

MPERS provides retirement, survivor, and disability benefits to its members. The MPERS has three benefit structures known as the Closed Plan, the Year 2000 Plan, and the Year 2000 Plan–2011 Tier. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000 and before January 2011. The Year 2000 Plan–2011 Tier covers employees hired on or after January 1, 2011. Employees covered by the Closed Plan and the Year 2000 Plan are fully vested after 5 years of creditable service. Employees covered by the 2011 Tier are fully vested after 10 years of creditable service.

The retirement eligibility requirements are as follows:

**Closed Plan**

**MoDOT and non-uniformed patrol members:**

Age 65 and active with 4 or more years of service

Age 65 with 5 or more years of service

Age 60 with 15 or more years of service

Age 48 with sum of age and service equaling 80 or more (Rule of 80)

**Uniformed patrol members:**

Age 55 and active with 4 or more years of service

Age 55 with 5 or more years of service

Age 48 with sum of age and service equaling 80 or more (Rule of 80)

Mandatory retirement at age 60

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of service.

For members employed prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members employed on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI up to a maximum rate of 5%.

**Year 2000 Plan**

**MoDOT and non-uniformed patrol members:**

Age 62 with 5 or more years of service

Age 48 with sum of age and service equaling 80 or more (Rule of 80)

**Uniformed patrol members:**

Age 48 with sum of age and service equaling 80 or more (Rule of 80)

Mandatory retirement at age 60 with 5 or more years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

**Year 2000 Plan–2011 Tier**

**MoDOT and non-uniformed patrol members:**

Age 67 with 10 or more years of service

Age 55 with sum of age and service equaling 90 or more (Rule of 90)

**Uniformed patrol members:**

Age 55 and active with 10 or more years of service equaling 80 or more (Rule of 80)

Mandatory retirement at age 60 with no minimum service amount

Active MoDOT and non-uniformed patrol members may retire early with reduced benefits at age 62 with at least 10 years of service. Terminated and vested uniformed patrol members may retire at age 67 with 10 or more years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 7 – Retirement Systems (cont.)**

Copies of financial reports issued by MOSERS and MPERS may be requested from:

Missouri State Employees' Retirement System  
P.O. Box 209  
907 Wildwood Drive  
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and  
Highway Patrol Employees' Retirement System  
P.O. Box 1930  
Jefferson City, Missouri 65102-1930

Funding Policy

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by state law to make all required contributions to the MSEP, MSEP 2000, and Judicial Plans. Beginning January 1, 2011, employee contributions of 4% of gross pay are required for those covered by the MSEP 2011 and Judicial Plan 2011. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP and the Judicial Plan are 13.81% and 60.03%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes required contributions to MPERS. Beginning January 1, 2011, employee contributions of 4% of gross pay are required for those covered by the Year 2000 Plan-2011 Tier. Current year calculated contribution rates are 49.53% for uniformed members of the Highway Patrol and 39.46% for non-uniformed members of the Highway Patrol and employees of the Missouri Department of Transportation. Actual contribution rates are the same as the actuarially determined rates.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	<u>MSEP</u>	<u>Judicial Plan</u>	<u>MPERS</u>
Annual required contribution	\$ 263,418	\$ 27,703	\$ 150,022
Interest on net pension obligation	5,753	3,963	---
Actuarial adjustment to annual required contribution	<u>(4,063)</u>	<u>(2,799)</u>	<u>---</u>
Annual pension cost	265,108	28,867	150,022
Contributions made	<u>(263,418)</u>	<u>(27,703)</u>	<u>(150,022)</u>
Increase in net pension obligation	1,690	1,164	---
Net pension obligation, beginning of year	<u>67,685</u>	<u>46,616</u>	<u>---</u>
Net pension obligation, end of year	<u>\$ 69,375</u>	<u>\$ 47,780</u>	<u>\$ ---</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 7 – Retirement Systems (cont.)**

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	MSEP			Judicial Plan		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/11	06/30/10	06/30/09	06/30/11	06/30/10	06/30/09
Annual Pension Cost (APC)	\$ 265,108	\$ 252,875	\$ 253,571	\$ 28,867	\$ 28,164	\$ 28,736
Percentage of APC Contributed	99.36%	99.35%	99.42%	95.97%	95.97%	96.49%
Net Pension Obligation	\$ 69,375	\$ 67,685	\$ 66,036	\$ 47,780	\$ 46,616	\$ 45,481

	MPERS		
	Fiscal Year Ending		
	06/30/11	06/30/10	06/30/09
Annual Pension Cost (APC)	\$ 150,022	\$ 124,053	\$ 122,599
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

**Funded Status and Funding Progress**

The funded status of the Plans as of June 30, 2011, are as follows (in thousands of dollars):

	MSEP	Judicial Plan	MPERS
Actuarial Value of Assets	\$ 8,022,481	\$ 98,399	\$ 1,427,291
Actuarial Accrued Liability (AAL) Entry Age	\$ 10,123,544	\$ 393,485	\$ 3,297,590
Unfunded Actuarial Accrued Liability (UAAL)	\$ 2,101,063	\$ 295,086	\$ 1,870,299
Funded Ratio	79.2%	25.0%	43.3%
Covered Payroll	\$ 1,875,570	\$ 45,888	\$ 362,654
UAAL as a Percentage of Covered Payroll	112.0%	643.1%	515.7%

**Actuarial Methods and Assumptions**

The annual required contribution for MOSERS for the current year was determined as part of an actuarial valuation of the Systems as of June 30, 2009, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MOSERS include: a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, b) projected salary increases of 4.0% per year annually, attributable to inflation, c) additional projected salary increases ranging from 0.3% to 3.5% per year for MSEP and 0% to 1.6% for the Judicial Plan, depending on age, attributable to seniority and/or merit, and d) the assumption that benefits will increase 4.0% per year after retirement.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 7 – Retirement Systems (cont.)**

The actuarial valuation of the System dated June 30, 2011, will set the required contribution rates for the fiscal year ending June 30, 2013. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The unfunded actuarial accrued liabilities are amortized on an open basis as a level percentage of payroll over 30 years.

The annual required contribution for MPERS for the current fiscal year was determined as part of an actuarial valuation as of June 30, 2009, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MPERS include: a) rate of return on the investment of 8.25% per year compounded annually, and b) projected wage inflation rate of 3.75%.

The actuarial valuation of MPERS dated June 30, 2011, will be used to determine the contribution rate for the Plan year ending June 30, 2013. The actuarial value of assets is based on a three-year smoothed market value method. The total contribution is based on a 14-year amortization period for unfunded retiree liabilities and a 29-year amortization period for other unfunded liabilities.

**Public School Retirement System of Missouri:**

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public college and universities and some state employees.

The benefit provisions include retirement annuities, death benefits, and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under Section 104.342, RSMo, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed \$3,458,000, \$3,972,000, and \$3,286,000 for the years ending June 30, 2011, 2010, and 2009, respectively, to the System, equal to the required contributions for each year.

Copies of the System's June 30, 2011, Comprehensive Annual Financial Report may be requested from:

Public School Retirement System of Missouri  
P.O. Box 268  
3210 West Truman Boulevard  
Jefferson City, Missouri 65102-0268

**College and Universities:**

University of Missouri Retirement System

Plan Description

The University of Missouri Retirement, Disability, and Death Benefit Plan is a single-employer, defined benefit plan for all qualified employees. The University's Board of Curators establishes the terms of the Plan and administers it as authorized by State statute.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 7 – Retirement Systems (cont.)**

Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at 2.2% times the credited service years times the compensation base. Vested employees who are at least age 55 and have ten years or more of credited service, or age 60 with at least five years of credited service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. At retirement, up to 30% of the retirement annuity can be taken in a lump sum payment; also the standard annuity can be exchanged for an actuarially-equivalent annuity.

Separate financial statements are not prepared for the Plan.

Detailed information concerning the Plan is presented in the University's 2011 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System  
Office of the Controller  
1000 West Nifong, Building 7, Suite 300  
Columbia, Missouri 65211

Funding Policy

The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement, which averaged 5.7% of payroll for the year ended June 30, 2011. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. An actuarial valuation of the Plan is performed annually and the University's contribution rate is updated on July 1 at the beginning of the University's fiscal year, to the actuarially determined amount from the most recent valuation as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	<u>University of Missouri System</u>
Annual required contribution	\$ 57,541
Interest on net pension obligation	---
Actuarial adjustment to annual required contribution	---
Annual pension cost	<u>57,541</u>
Contributions made	<u>(57,541)</u>
Change in net pension obligation	---
Net pension obligation, beginning of year	---
Net pension obligation, end of year	<u><u>\$ ---</u></u>

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 7 – Retirement Systems (cont.)**

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	Fiscal Year Ending		
	06/30/11	06/30/10	06/30/09
Annual Pension Cost (APC)	\$ 57,541	\$ 48,040	\$ 56,663
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

**Funded Status and Funding Progress**

The funded status of the Plan as of June 30, 2011, is as follows (in thousands of dollars):

	Actuarial Valuation October 1, 2010
Actuarial Value of Assets	\$ 2,851,957
Actuarial Accrued Liability (AAL) Entry Age	\$ 2,960,832
Unfunded Actuarial Accrued Liability (UAAL)	\$ 108,875
Funded Ratio	96.3%
Covered Payroll	\$ 979,888
UAAL as a Percentage of Covered Payroll	11.1%

**Actuarial Methods and Assumptions**

The annual required contribution for the University for the current fiscal year was determined as part of an actuarial valuation of the System as of October 1, 2009, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include: a) assumed rate of return on investments of 8.0% per year, b) projected salary increases for academic and administrative employees averaging 5.3% per year, c) projected salary increases for clerical and service employees averaging 4.5% per year, and d) assumed no future retiree ad-hoc increases or cost of living adjustments.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 8 – Other Postemployment Benefits**

In addition to the retirement benefits described in *Note 7*, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, MHPML, and CEIP for health care benefits are approximately 18,719, 5,791, and 785, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 20,037, 3,647, and 621, respectively. Health care benefits and MOSERS life insurance benefits are funded through both employer and employee contributions. MOSERS employer contribution rates are set by the Standard Insurance Company. MHPML and CEIP life insurance benefits are funded through employee contributions. MHPML and CEIP employer contribution rates are set by the Plans Board of Trustees and approved by their respective Commission. Employer contribution rates for MCHCP are set in accordance with Section 103.100, RSMo. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For fiscal year 2011, the State's contributions were 50.95% of the total (employer/employee) contributions made for other postemployment benefits.

During fiscal year 2011, the State contributed the following amounts (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	\$ 53,354	\$ ---
MOSERS	---	1,878
MHPML	16,846	---
CEIP	2,396	---
Total	<u>\$ 72,596</u>	<u>\$ 1,878</u>

During fiscal year 2011, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	\$ 107,360	\$ ---
MHPML	38,685	---
CEIP	4,605	306
Total	<u>\$ 150,650</u>	<u>\$ 306</u>

**Funding Policy**

The contribution requirements of MCHCP, MHPML, and CEIP are established and may be amended by the State legislature, Missouri Highways and Transportation Commission, and the Conservation Department Board of Trustees, respectively. The State has partially funded the annual required contribution (ARC) of MCHCP in addition to the pay-as-you-go amount. In fiscal year 2011, the State contributed \$0 in addition to pay-as-you-go. The required contribution for MHPML and CEIP is based on an actuarial study and is financed on a pay-as-you-go basis. For fiscal year 2011, MCHCP, MHPML, and CEIP contributed \$53.4, \$30.3, and \$3.6 million, respectively.



**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 8 – Other Postemployment Benefits (cont.)**

Annual OPEB Cost and Net OPEB Obligation

The MCHCP, MHPML, and CEIP annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of MCHCP, MHPML, and CEIP annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the net OPEB obligation (in thousands of dollars):

	MCHCP	MHPML	CEIP
Annual required contribution	\$ 99,766	\$ 112,329	\$ 9,751
Interest on net OPEB contribution	6,334	9,960	817
Adjustments to annual required contribution	(4,422)	(13,004)	(669)
Annual OPEB cost	101,678	109,285	9,899
Contributions made	(53,354)	(30,346)	(3,641)
Increase in net OPEB obligation	48,324	78,939	6,258
Net OPEB obligation, beginning of year	90,487	221,324	18,147
Net OPEB obligation, end of year	<u>\$ 138,811</u>	<u>\$ 300,263</u>	<u>\$ 24,405</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 are as follows (in thousands of dollars):

	MCHCP			MHPML		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/11	06/30/10 *	06/30/09 *	06/30/11	06/30/10 *	06/30/09 *
Annual OPEB Cost (AOC)	\$ 101,678	\$ 95,334	\$ 125,341	\$ 109,285	\$ 110,385	\$ 90,873
Percentage of AOC Contributed	52.47%	78.03%	72.96%	27.77%	27.49%	27.78%
Net OPEB Obligation	\$ 138,811	\$ 90,487	\$ 69,538	\$ 300,263	\$ 221,324	\$ 141,285

	CEIP		
	Fiscal Year Ending		
	06/30/11	06/30/10 *	06/30/09 *
Annual OPEB Cost (AOC)	\$ 9,899	\$ 9,659	\$ 8,338
Percentage of AOC Contributed	36.78%	34.36%	29.55%
Net OPEB Obligation	\$ 24,405	\$ 18,147	\$ 11,807

\*Prior years are restated to reflect Annual OPEB Cost versus Annual Required Contribution.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 8 – Other Postemployment Benefits (cont.)**

**Funded Status and Funding Progress**

The funded status of the Plans as of June 30, 2011, are as follows (in thousands of dollars):

	<u>MCHCP</u>	<u>MHPML</u>	<u>CEIP</u>
Actuarial Accrued Liability (AAL)	\$ 1,413,210	\$ 1,094,778	\$ 134,472
Less Actuarial Value of Plan Assets	<u>80,220</u>	<u>---</u>	<u>---</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,332,990</u>	<u>\$ 1,094,778</u>	<u>\$ 134,472</u>
Funded Ratio	5.68%	0.0%	0.0%
Covered Payroll	\$ 1,559,100	\$ 362,654	\$ 67,600
UAAL as a Percentage of Covered Payroll	85.50%	301.88%	198.92%

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for fiscal year ending June 30, 2011, MCHCP used the entry-age method. The October 2009, MHPML and the July 1, 2009, CEIP actuarial valuation used the projected unit credit method. The actuarial assumptions for MCHCP, MHPML, and CEIP include a 7.0%, 4.5%, and 4.5% discount rate, respectively. MCHCP projected annual health care cost trend rate is currently 7.67%, decreasing by 2/3% per year to an ultimate rate of 5.0%. MCHCP also has a projected payroll growth rate of 4.0%. The UAAL is being amortized at a level dollar amount over an open basis, over a 30-year period. MHPML projected annual health care cost trend rate is currently 8.00%, decreasing by 0.5% until reaching 5.0% in 2015. The UAAL is being amortized at a level dollar amount over a 30-year period. CEIP projected annual health care cost trend rate is generated by the Getzen model.

**Termination Benefits**

During the year ended June 30, 2011, the Conservation Commission offered the following termination benefit incentive: pay 80% of the total retiree medical insurance premium charged for the selected coverage during a seven-year period that begins on the retirees' official retirement date. The Commission had 166 retirees who participated in the incentive resulting in the cost of \$1,304,000 in termination benefits for fiscal year 2011.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 8 – Other Postemployment Benefits (cont.)**

**College and Universities:**

University of Missouri System

In addition to the retirement benefits described in *Note 7*, the University provides postemployment medical care, dental care, and life insurance benefits to eligible employees who retire from the University and to employees receiving long-term disability benefits. Currently, 6,307 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2011, the University's contributions were 69.95% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in medical care, dental care, and life insurance are 5,102, 5,119, and 2,821, respectively. During fiscal year 2011, the University contributed \$30,242,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were \$37,065,000.

Funding Policy

In June 2008, the University established its OPEB Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the Plan. Previously, postemployment benefit costs other than long-term disability were funded on a current basis, and expenses were recorded on a pay-as-you-go basis. Long-term disability costs were recognized during the period in which the employee became eligible to receive disability benefits.

The University's OPEB Trust Fund does not issue a separate financial report, but is included in the University's financial report using the economic resources measurement focus and accrual basis of accounting. The University currently plans to contribute to the trust fund an amount that, in addition to the current year premium contributions, is sufficient to fund 50% of the annual required contribution (ARC).

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation for fiscal year 2011 (in thousands of dollars):

	<u>University of Missouri System</u>
Annual required contribution	\$ 60,485
Interest on net OPEB obligation	3,025
Adjustment to annual OPEB obligation	<u>(2,575)</u>
Annual OPEB cost	60,935
Contributions made	<u>(30,242)</u>
Increase in net OPEB obligation	30,693
Net OPEB obligation (asset), beginning of year	<u>52,613</u>
Net OPEB obligation, end of year	<u><u>\$ 83,306</u></u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 8 – Other Postemployment Benefits (cont.)**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 was as follows (in thousands of dollars):

	<u>University of Missouri System</u>		
	<u>Fiscal Year Ending</u>		
	<u>06/30/11</u>	<u>06/30/10 *</u>	<u>06/30/09 *</u>
Annual OPEB Cost (AOC)	\$ 60,935	\$ 52,765	\$ 47,576
Percentage of AOC Contributed	49.63%	45.08%	50.00%
Net OPEB Obligation	\$ 83,306	\$ 52,613	\$ 23,637

\*Prior years are restated to reflect Annual OPEB Cost versus Annual Required Contribution.

**Funded Status and Funding Progress**

The funded status of the Plan as of June 30, 2011, was as follows (in thousands of dollars):

	<u>University of Missouri System</u>
Actuarial Accrued Liability (AAL)	\$ 646,655
Less Actuarial Value of Plan Assets	37,171
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 609,484</u>
Funded Ratio	5.75%
Covered Payroll	\$ 1,009,800
UAAL as a Percentage of Covered Payroll	60.36%

**Actuarial Methods and Assumptions**

In the July 1, 2009, actuarial valuation, University of Missouri System used the projected unit credit cost method. The actuarial assumptions for University of Missouri System included a 5.75% rate of return, net of administrative expenses. The projected annual health care cost trend rate is 6.0% to 10.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized at a level dollar amount over an open basis, level percent of pay, over a 30-year period.

**Note 9 – Deferred Compensation**

**Missouri State Public Employees' Deferred Compensation Plan:**

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account, or annuity contract for the exclusive benefit of Plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice between the investment option(s) available by the Plan is made by the participants.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 9 – Deferred Compensation (cont.)**

Copies of the Plan's financial statements may be requested from:

Plan Administrator  
c/o MOSERS  
P.O. Box 209  
907 Wildwood Drive  
Jefferson City, Missouri 65102-0209

**Missouri State Employees' Deferred Compensation Incentive Plan:**

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code.

Under the Plan provisions, any employee of the State is eligible to participate in the Plan if he/she has been an employee of the State for at least 12 consecutive months preceding any employer contributions to the Plan, and is making continuous monthly deferrals of at least \$25 to the Missouri State Public Employees' Deferred Compensation Plan. The State, subject to appropriation, contributes \$25, \$30, or \$35 per month for each employee that meets these requirements based on employee contribution. As of March 2010, employer incentive (match) associated with the State of Missouri Deferred Compensation Plan was suspended until further notice. Participating employees are 100% vested.

The first employer contributions to the Plan were made in January 1996. The Plan receives contributions from employees as well as rollovers from other qualified plans. During fiscal year 2011, rollover contributions to ING were \$39,078,000.

Copies of the Plan's financial statements may be requested from:

Plan Administrator  
c/o MOSERS  
P.O. Box 209  
907 Wildwood Drive  
Jefferson City, Missouri 65102-0209

**Note 10 – Changes in Short-Term Liabilities**

The State uses a bank overdraft line of credit to compensate for timing in cash payments and receipts.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2011 (in thousands of dollars):

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<b>Governmental Activities:</b>				
Bank Overdraft	\$ 2	\$ 838,094	\$ (838,095)	\$ 1

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**Note 11 – Changes in Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011 (in thousands of dollars):

	*Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
<b>Governmental Activities:</b>					
Due to Other Entities	\$ 32,839	\$ 10,195	\$ (19,125)	\$ 23,909	\$ 4,601
General Obligation Bonds Payable	528,910	105,660	(147,480)	487,090	54,325
Other Bonds Payable	4,060,855	130,390	(310,270)	3,880,975	164,510
Unamortized Bond Premium	147,512	40,467	(29,109)	158,870	---
Obligations under Lease/ Purchases	219,908	98,077	(108,460)	209,525	15,476
Pollution Remediation	10,086	198	(3,359)	6,925	2,022
Compensated Absences	183,460	162,675	(183,501)	162,634	161,163
Claims Liabilities	174,863	433,573	(452,048)	156,388	91,161
Contingent Liabilities	54,800	14,480	(3,400)	65,880	65,880
2 <sup>nd</sup> Injury Fund					
Contingent Liabilities	1,444,064	113,401	(37,376)	1,520,089	37,376
Net Other Postemployment Benefit Obligation	329,958	220,862	(87,341)	463,479	---
Net Pension Obligation	114,301	443,997	(441,143)	117,155	---
Total Governmental Activities	<u>\$ 7,301,556</u>	<u>\$ 1,773,975</u>	<u>\$ (1,822,612)</u>	<u>\$ 7,252,919</u>	<u>\$ 596,514</u>
<b>Business-Type Activities:</b>					
Obligations under Lease/ Purchases	\$ 116	\$ ---	\$ (50)	\$ 66	\$ 38
Pollution Remediation	---	163	(163)	---	---
Claims Liabilities	106,816	8,733	(11,902)	103,647	15,000
Grand Prize Winner Liability	98,918	49,919	(52,256)	96,581	55,628
Compensated Absences	3,319	3,601	(3,458)	3,462	3,458
Loans Payable	722,117	---	(29,949)	692,168	---
Total Business-Type Activities	<u>\$ 931,286</u>	<u>\$ 62,416</u>	<u>\$ (97,778)</u>	<u>\$ 895,924</u>	<u>\$ 74,124</u>

\*Beginning balances as of July 1, 2010 have been restated (see *Note 17*).

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 12 – Bonds Payable**

Bonds are long-term liabilities and are reconciling items from governmental fund financial statements to government-wide financial statements. On the Government-Wide Statement of Net Assets, the long-term liabilities are shown as the amounts due within one year from the date of the statement and the amounts due in more than one year from the date of the statement.

**General Obligation Bonds:**

The Board of Fund Commissioners of the State of Missouri, upon voter approval and subsequent authorization of the General Assembly, issues general obligation bonds that are secured by a pledge of the full faith, credit, and resources of the State. The principal and interest amounts are transferred one year in advance from the General Fund or other funds to the debt service funds from which principal and interest payments are made. Four types of general obligation bonds are currently outstanding. Proceeds from the Water Pollution Control Bonds were used to provide funds for the protection of the environment through the control of water pollution. Proceeds from the Third State Building Bonds were used to provide funds for improvements of state buildings and property. Proceeds from the Fourth State Building Bonds were used to provide funds for improvements of buildings and property of higher education institutions, Department of Corrections, and the Division of Youth Services. Proceeds from the Stormwater Control Bonds were used to provide funds to protect the environment through the control of stormwater.

To take advantage of lower interest rates, the Board of Fund Commissioners has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Water Pollution Control Bonds:				
Series A 1987-Refunding	8/1/87	\$ 49,715	A 1981	\$ 16,940
			B 1983	9,625
			A 1985	19,575
Series B 1991-Refunding	11/1/91	17,435	A 1983	16,415
Series C 1991-Refunding	11/1/91	33,575	B 1987	30,695
Series B 1992-Refunding	8/15/92	50,435	A 1986	46,400
Series B 1993-Refunding	8/1/93	109,415	A 1987-Refunding	33,240
			A 1989	27,280
			A 1991	27,350
			B 1991-Refunding	11,355
Series B 2002-Refunding	10/15/02	147,710	C 1991-Refunding	21,875
			A 1992	26,560
			B 1992-Refunding	33,595
			A 1993	22,350
			A 1995	22,520
			A 1996	25,900
Series A 2003-Refunding	10/29/03	74,655	B 1993-Refunding	76,540
Series A 2005-Refunding	6/29/05	95,100	A 1996	2,160
			A 1998	28,680
			A 1999	17,595
			A 2003-Refunding	51,535
Series A 2010-Refunding	7/27/10	81,450	A 2001	15,030
			A 2002	20,225
			B 2002-Refunding	12,990
			A 2005-Refunding	8,595
			A 2007	31,385

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 12 – Bonds Payable (cont.)**

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Third State Building Bonds:				
Series A 1987-Refunding	8/1/87	170,115	B 1983	33,675
			A 1984	48,130
			A 1985	73,375
Series A 1991-Refunding	11/1/91	34,870	A 1983	32,835
Series B 1991-Refunding	11/1/91	71,955	B 1987	65,780
Series A 1992-Refunding	8/15/92	273,205	A 1986	251,355
Series A 1993-Refunding	8/1/93	148,480	A 1987-Refunding	113,725
			A 1991-Refunding	22,935
Series A 2002-Refunding	10/15/02	211,630	B 1991-Refunding	47,320
			A 1992-Refunding	181,170
Series A 2003-Refunding	10/29/03	75,650	A 1993-Refunding	79,380
Fourth State Building Bonds:				
Series A 2002-Refunding	10/15/02	154,840	A 1995	56,300
			A 1996	92,485
Series A 2005-Refunding	6/29/05	45,330	A 1996	7,715
			A 1998	40,970
Series A 2010-Refunding	7/27/10	9,060	A 2002-Refunding	8,970
			A 2005-Refunding	1,470
Stormwater Control Bonds:				
Series A 2005-Refunding	6/29/05	17,175	A 1999	17,595
Series A 2010-Refunding	7/27/10	15,150	A 2001	7,320
			A 2002	8,475
			A 2005-Refunding	905

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2011, \$594,494,240 of the Water Pollution Control Bonds; \$600,000,000 of the Third State Building Bonds; \$250,000,000 of the Fourth State Building Bonds; and \$45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is \$130,505,760 and for Stormwater Control Bonds is \$155,000,000. There is no remaining authorization for the Third State Building Bonds or the Fourth State Buildings Bonds.



**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 12 – Bonds Payable (cont.)**

General obligation bonds issued and outstanding as of June 30, 2011, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
<b>Water Pollution Control Bonds:</b>						
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/15	\$ 30,000	\$ 4,215
Series B 2002–Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	72,400
Series A 2003–Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/16	74,655	20,405
Series A 2005–Refunding	5.0%	10/1; 4/1	6/05	10/1/16	95,100	78,655
Series A 2007	4.0 – 5.0%	6/1; 12/1	11/07	12/1/21	50,000	16,355
Series A 2010–Refunding	4.0 – 5.0%	12/1; 6/1	7/10	12/1/22	81,450	81,450
<b>Third State Building Bonds:</b>						
Series A 2002–Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	8,290
Series A 2003–Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/12	75,650	2,385
<b>Fourth State Building Bonds:</b>						
Series A 2002–Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	119,950
Series A 2005–Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	41,045
Series A 2010–Refunding	4.0 – 5.0%	12/1; 6/1	7/10	12/1/22	9,060	9,060
<b>Stormwater Control Bonds:</b>						
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/15	15,000	2,105
Series A 2005–Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	15,625
Series A 2010–Refunding	4.0 – 5.0%	12/1; 6/1	7/10	12/1/22	15,150	15,150
Total General Obligation Bonds					<u>\$ 1,022,750</u>	<u>\$ 487,090</u>
Less: Amount in Sinking Fund for payment of Principal						<u>(54,325)</u>
						<u>\$ 432,765</u>

As of June 30, 2011, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2012	\$ 54,325	\$ 21,758	\$ 76,083
2013	58,290	19,056	77,346
2014	53,200	16,605	69,805
2015	55,870	14,158	70,028
2016	55,600	11,445	67,045
2017–2021	172,920	26,104	199,024
2022–2023	36,885	1,490	38,375
Totals	<u>\$ 487,090</u>	<u>\$ 110,616</u>	<u>\$ 597,706</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 12 – Bonds Payable (cont.)**

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits state agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and to pay the costs of operations. The total amount authorized for the Board equals \$945,000,000.

To take advantage of lower interest rates, the Board of Public Buildings has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Board of Public Buildings:				
Series A 1983–Refunding	10/1/83	\$ 43,445	A 1981	\$ 43,445
Series A 1985–Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983–Refunding	39,875
			A 1984	89,900
Series A 1991–Refunding	12/1/91	148,500	A 1985–Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series B 2001–Refunding	10/10/01	83,465	A 1991–Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2011, the Board of Public Buildings Bonds had issued \$871,205,000 of the bond authorization. The remaining authorization is \$73,795,000.

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2011, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Board of Public Buildings:						
Series A 2001	4.25 – 5.75%	5/1; 11/1	5/01	5/1/26	\$ 173,870	\$ 126,850
Series B 2001–Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	83,465	4,165
Series A 2003	4.0 – 6.0%	4/15; 10/15	4/03	10/15/28	387,425	329,565
Series A 2006	4.0 – 5.0%	4/1; 10/1	10/06	10/1/31	120,000	108,625
Total Board of Public Buildings Bonds					<u>\$ 764,760</u>	<u>\$ 569,205</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 12 – Bonds Payable (cont.)**

As of June 30, 2011, the debt service requirements for principal and interest in future years for the Board of Public Buildings Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 23,815	\$ 27,551	\$ 51,366
2013	24,675	26,267	50,942
2014	23,520	24,982	48,502
2015	24,515	23,740	48,255
2016	25,550	22,463	48,013
2017–2021	146,090	91,983	238,073
2022–2026	184,035	52,378	236,413
2027–2031	109,180	11,503	120,683
2032	7,825	176	8,001
<b>Totals</b>	<b>\$ 569,205</b>	<b>\$ 281,043</b>	<b>\$ 850,248</b>

The Health and Educational Facilities Authority issued \$35,000,000 of Educational Facilities Revenue Bonds (University of Missouri–Columbia Arena Project) Series 2001, dated November 1, 2001, to fund the design, acquisition, construction, furnishing, and equipping of a sports arena facility and related facilities on the University of Missouri–Columbia campus. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated November 1, 2001, the Office of Administration will request that the Governor’s annual budget request to the General Assembly include the State’s financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2011, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Educational Facilities Revenue Bonds:						
Series 2001	3.0 – 5.0%	5/1; 11/1	11/01	11/1/21	\$ 35,000	\$ 24,530

As of June 30, 2011, the debt service requirement of the State for principal and interest in future years for the Educational Facilities Revenue Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 1,760	\$ 1,112	\$ 2,872
2013	1,835	1,031	2,866
2014	1,915	953	2,868
2015	2,000	869	2,869
2016	2,095	779	2,874
2017–2021	12,120	2,211	14,331
2022	2,805	67	2,872
<b>Totals</b>	<b>\$ 24,530</b>	<b>\$ 7,022</b>	<b>\$ 31,552</b>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 12 – Bonds Payable (cont.)**

The Regional Convention and Sports Complex Authority issued \$132,910,000 of Convention and Sports Facility Project Bonds Series A 1991, dated August 15, 1991, to finance the costs of acquiring land and constructing a multi-purpose convention and indoor sports facility in downtown St. Louis, Missouri. On December 15, 1993, the Authority issued \$121,705,000 of Convention and Sports Facility Project Refunding Bonds Series A 1993 for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was \$101,410,000. On August 1, 2003, the Authority issued \$116,030,000 of Convention and Sports Facility Project Refunding Bonds Series A 2003 for the purpose of refunding Convention and Sports Facility Project Bonds Series A 1991 and Series A 1993 refunding bonds and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was \$2,845,000 for the Series A 1991 bonds and \$113,170,000 for the Series A 1993 refunding bonds. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State.

The Convention and Sports Facility Project Bonds issued and outstanding as of June 30, 2011, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Convention and Sports Facility Project Bonds:						
Series A 2003-Refunding	1.42-5.375%	2/15; 8/15	8/03	8/15/21	<u>\$ 116,030</u>	<u>\$ 82,525</u>

As of June 30, 2011, the debt service requirements for these bonds are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 5,745	\$ 4,104	\$ 9,849
2013	6,040	3,799	9,839
2014	6,355	3,478	9,833
2015	6,685	3,139	9,824
2016	7,035	2,777	9,812
2017-2021	41,110	7,800	48,910
2022	<u>9,555</u>	<u>221</u>	<u>9,776</u>
Totals	<u>\$ 82,525</u>	<u>\$ 25,318</u>	<u>\$ 107,843</u>

Under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of \$10,000,000 for principal and interest and \$2,000,000 for maintenance each year. Future payments to the Authority related to the bond repayment are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>State Debt Service Payments</u>
2012	\$ 10,000
2013	10,000
2014	10,000
2015	10,000
2016	10,000
2017-2021	50,000
2022	<u>5,000</u>
Total	<u>\$ 105,000</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 12 – Bonds Payable (cont.)**

State Road Bonds:

The Missouri Highways and Transportation Commission authorized by Article IV, Section 29–34 of the Missouri Constitution and Section 226.133 of the State Highway Act, issues bonds for highway construction and repairs. Under the Missouri Constitution, the principal and interest of the State Road Bonds are payable solely from the revenues of the Missouri Road Fund. State Road Bonds have the following levels of priority: Senior Bonds, First Lien Bonds, Second Lien Bonds, and Third Lien Bonds. Proceeds from State Road Bonds are used for the purpose of constructing and maintaining the State's highways. As of June 30, 2011, the Missouri Highways and Transportation Commission had issued \$3,812,195,000.

To take advantage of lower interest rates, the Missouri Highways and Transportation Commission has issued Bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Commission (in thousands of dollars):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Senior Lien State Road Bonds:				
Series 2006–Refunding	12/12/06	\$ 394,870	A 2000	\$ 135,980
			A 2001	105,075
			A 2002	109,165
			A 2003	57,390
Series C 2010–Refunding	11/10/10	130,390	A 2001	11,135
			A 2002	18,405
			A 2003	111,760

The State Road Bonds issued and outstanding as of June 30, 2011, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series A 2001	2.25 – 5.125%	2/1; 8/1	10/01	2/1/15	\$ 200,000	\$ 10,125
Series A 2002	3.00 – 5.25%	2/1; 8/1	6/02	2/1/15	203,000	9,675
Series A 2003	2.00 – 5.00%	2/1; 8/1	11/03	2/1/23	254,000	11,990
Series A 2005–First Lien	2.50 – 5.00%	5/1; 11/1	7/05	5/1/15	278,660	126,460
Series B 2005–Third Lien	Variable	Variable	7/05	5/1/15	72,000	58,920
Series A 2006–First Lien	3.75 – 5.00%	5/1; 11/1	8/06	5/1/21	296,670	251,670
Series B 2006–First Lien	4.50 – 5.00%	5/1; 11/1	8/06	5/1/26	503,330	503,330
Series 2006–Refunding	4.00 – 5.00%	2/1; 8/1	12/06	2/1/22	394,870	394,870
Series 2007–Second Lien	4.00 – 5.25%	5/1; 11/1	9/07	5/1/27	526,800	510,145
Series A 2008–Second Lien	3.00 – 5.00%	5/1; 11/1	12/08	5/1/25	142,735	135,595
Series A 2009	2.00 – 5.00%	5/1; 11/1	9/09	5/1/21	195,625	181,120
Series B 2009	4.802 – 5.252%	5/1; 11/1	9/09	5/1/33	404,375	404,375
Series C 2009–Third Lien	4.313 – 5.213%	5/1; 11/1	11/09	5/1/29	300,000	300,000
Series A 2010	1.50 – 5.00%	5/1; 11/1	3/10	5/1/22	128,865	119,915
Series B 2010	4.720 – 5.020%	5/1; 11/1	3/10	5/1/25	56,135	56,135
Series C 2010–Refunding	3.00 – 5.00%	2/1; 8/1	11/10	2/1/23	130,390	130,390
Total Missouri Highways and Transportation Commission					<u>\$ 4,087,455</u>	<u>\$ 3,204,715</u>

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

**Note 12 – Bonds Payable (cont.)**

As of June 30, 2011, debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest <sup>(1)</sup></u>	<u>Totals</u>
2012	\$ 133,190	\$ 140,162	\$ 273,352
2013	153,525	135,477	289,002
2014	162,050	129,546	291,596
2015	169,550	122,945	292,495
2016	168,470	115,931	284,401
2017-2021	1,054,395	443,769	1,498,164
2022-2026	993,105	198,900	1,192,005
2027-2031	285,415	42,327	327,742
2032-2033	85,015	4,540	89,555
<b>Totals</b>	<b>\$ 3,204,715</b>	<b>\$ 1,333,597</b>	<b>\$ 4,538,312</b>

<sup>(1)</sup> The annual debt service schedule assumes an interest rate of 0.06%, representing the interest rate at June 30, 2011, for the Series B 2005 bonds. During the year, interest rates ranged from 0.06% to 0.33%. Interest is reported net of assumed federal subsidies.

**Component Units' Long-Term Debt** – The following bonds are included in the balance sheet of the college and universities and the non-major component units.

**Major**

**College and Universities:**

The college and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2011, debt service requirements for principal and interest for the college and universities were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 51,729	\$ 85,841	\$ 137,570
2013	53,833	84,071	137,904
2014	55,602	82,169	137,771
2015	56,486	80,135	136,621
2016	58,694	78,029	136,723
2017-2021	311,575	354,738	666,313
2022-2026	358,648	285,211	643,859
2027-2031	369,335	204,971	574,306
2032-2036	260,357	140,642	400,999
2037-2041	296,725	77,060	373,785
2042	84,095	2,436	86,531
<b>Totals <sup>(1)</sup></b>	<b>\$ 1,957,079</b>	<b>\$ 1,475,303</b>	<b>\$ 3,432,382</b>

<sup>(1)</sup> The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 12 – Bonds Payable (cont.)**

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued \$6,500,000 in St. Louis Convention Center Hotel Series 2000B, taxable infrastructure facilities revenue bonds and \$14,600,000 in St. Louis Convention Center Hotel Series 2000C, tax-exempt infrastructure facilities revenue bonds, respectively for the purpose of paying the costs of acquiring land and constructing a parking garage. Bonds are payable, both principal and interest, out of revenues derived from the operation of the parking garage.

In October 2004, the Board issued \$9,500,000 in Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds and \$7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds.

In April 2010, the Board issued \$9,000,000 in Seventh Street Garage Series 2010A, tax exempt infrastructure facilities revenue bonds.

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2011, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Development Finance Board:						
Revenue Bonds						
Series 2000B	up to 10%	12/1	12/00	12/1/20	\$ 6,500	\$ 3,910
Series 2000C	up to 10%	12/1	12/00	12/1/20	14,600	11,440
Series 2004A	up to 10%	10/1	10/04	10/1/34	9,500	8,000
Series 2004B	up to 10%	10/1	10/04	10/1/34	7,000	7,000
Series 2010A	up to 5.264%	monthly	04/10	05/1/40	9,000	9,000
Total Missouri Development Finance Board Revenue Bonds					<u>\$ 46,600</u>	<u>\$ 39,350</u>

As of June 30, 2011, the debt service requirements for principal and interest in future years for the Missouri Development Finance Board Revenue Bonds were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 284	\$ 446	\$ 730
2013	462	441	903
2014	490	433	923
2015	519	424	943
2016	550	416	966
2017-2020	18,615	1,931	20,546
2021-2025	4,327	1,528	5,855
2026-2030	5,780	1,166	6,946
2031-2035	6,377	704	7,081
2036-2040	1,946	166	2,112
Totals	<u>\$ 39,350</u>	<u>\$ 7,655</u>	<u>\$ 47,005</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 12 – Bonds Payable (cont.)**

The annual debt service schedule assumes an interest rate of 0.145%, representing the interest rate at June 30, 2011, for the Series 2000B and Series 2000C bonds. The annual debt service schedule also assumes an interest rate of 0.276%, representing the interest rate as of June 30, 2011, for the Ninth Street Garage Series 2004A and 2004B bonds. The annual debt service also assumes an interest rate of 4.25%, representing the interest rate as of June 30, 2011, for the Seventh Street Garage Series 2010A bonds.

**Bond Transactions of the State of Missouri** – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2011 (in thousands of dollars):

	<u>Governmental Funds</u>		<u>Component Units</u>	
	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Revenue Bonds</u>	<u>Totals</u>
Bonds Payable at July 1, 2010	\$ 528,910	\$ 4,060,855	\$ ---	\$ 4,589,765
Bond Issuance	105,660	130,390	---	236,050
Bonds Retired	<u>(147,480)</u>	<u>(310,270)</u>	<u>---</u>	<u>(457,750)</u>
Subtotal	487,090	3,880,975	---	4,368,065
College and Universities <sup>(1)</sup>	---	---	1,957,079	1,957,079
Missouri Development Finance Board	<u>---</u>	<u>---</u>	<u>39,350</u>	<u>39,350</u>
Bonds Payable at June 30, 2011	<u>\$ 487,090</u>	<u>\$ 3,880,975</u>	<u>\$ 1,996,429</u>	<u>\$ 6,364,494</u>

<sup>(1)</sup> Detailed information for college and universities are not shown.

**Note 13 – Defeased Debt**

**A. Current Year Debt Defeasance**

On July 27, 2010, the State of Missouri issued \$81,450,000 in Water Pollution Control General Obligation Refunding Bonds Series A 2010 with interest rates ranging from 4.00% to 5.00%, to refund \$15,030,000 of outstanding Water Pollution Control Series A 2001 with interest rates ranging from 4.00% to 7.00%, \$20,225,000 of outstanding Water Pollution Control Series A 2002 with interest rates ranging from 3.00% to 5.25%, \$12,990,000 of outstanding Water Pollution Control Refunding Series B 2002 with interest rates ranging from 3.375% to 5.00%, \$8,595,000 of outstanding Water Pollution Control Refunding Series A 2005 with an interest rate of 5.00%, and \$31,385,000 of outstanding Water Pollution Control Series A 2007 with interest rates ranging from 4.00% to 5.00%. As a result, the bonds are considered to be defeased and the liabilities for the bonds have been removed from the financial statements. The State reduced its total debt service payments by \$14,944,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$9,825,000.



**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 13 – Defeased Debt (cont.)**

On July 27, 2010, the State of Missouri issued \$9,060,000 in Fourth State Building General Obligation Refunding Bonds Series A 2010 with interest rates ranging from 4.00% to 5.00%, to refund \$8,970,000 of outstanding Fourth State Building Refunding Series A 2002 with interest rates ranging from 3.375% to 5.00%, and \$1,470,000 of outstanding Fourth State Building Refunding Series A 2005 with an interest rate of 5.00%. As a result, the bonds are considered to be defeased and the liabilities for the bonds have been removed from the financial statements. The State reduced its total debt service payments by \$1,768,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$1,163,000.

On July 27, 2010, the State of Missouri issued \$15,150,000 in Stormwater Control General Obligation Refunding Bonds Series A 2010 with interest rates ranging from 4.00% to 5.00%, to refund \$7,320,000 of outstanding Stormwater Control Series A 2001 with interest rates ranging from 4.00% to 7.00%, \$8,475,000 of outstanding Stormwater Control Series A 2002 with interest rates ranging from 3.00% to 5.25%, and \$905,000 of outstanding Stormwater Control Refunding Series A 2005 with an interest rate of 5.00%. As a result, the bonds are considered to be defeased and the liabilities for the bonds have been removed from the financial statements. The State reduced its total debt service payments by \$2,829,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$1,860,000.

On November 10, 2010, the Transportation Commission issued State Road Bonds Series C 2010 with interest rates ranging from 3.00% to 5.00%, to refund \$11,135,000 of outstanding State Road Bonds Series A 2001 with interest rates ranging from 2.25% to 5.125%, \$18,405,000 of outstanding State Road Bonds Series A 2002 with interest rates ranging from 3.00% to 5.25%, and \$111,760,000 of outstanding State Road Bonds Series A 2003 with interest rates ranging from 2.00% to 5.00%. As a result, the bonds are considered to be defeased and the liabilities for the bonds have been removed from the financial statements. The Commission reduced its total debt service payments by \$13,300,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$11,700,000.

On July 30, 2010, Missouri State University issued Auxiliary Enterprise System Revenue bonds with interest rates ranging from 1.00% to 2.80% in the principal amount of \$46,370,000 in Tax-Exempt and Build America Bonds for additions and improvements to the auxiliary enterprise system and the partial refunding of the 2005A Series Bonds with interest rates ranging from 3.10% to 3.70%. The refunding portion of this issue is \$21,485,000. Build America Bonds issued are in the amount of \$20,565,000 and Tax-Exempt Bonds issued are in the amount of \$25,805,000. Of the refunding issue, \$20,890,000 was used to retire 2005 series bonds, \$360,881 interest escrow requirements and the remainder cost of issuance. As a result of the current refunding, the University reduced its total debt service requirements by \$841,223 which resulted in an economic gain of \$802,817.

On September 9, 2010, Missouri Western State University issued \$9,840,000 in Auxiliary System Refunding and Improvement Revenue Bonds Series A 2010 with interest rates ranging from 0.75% to 4.25%, to refund the outstanding Auxiliary Refunding and Improvement Bonds Series 1998. As a result of the current refunding, the University reduced its total debt service requirements by \$903,445 which resulted in an economic gain of \$627,996.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 13 – Defeased Debt (cont.)**

On December 15, 2010, Northwest Missouri State University issued \$4,980,000 Recreation System Refunding Revenue Bonds to provide for the refunding of the 1999 Recreation System Improvement and Refunding Revenue Bond issue (principal outstanding at December 15, 2010, was \$4,380,000). These bonds are payable as to principal and interest from the revenues derived from the operation of the University's recreation system after payment of costs of operation and maintenance that are not paid from other legally available funds. Proceeds from the bond issue were for the purpose of defeasing the principal outstanding on the 1999 Recreation System Improvement and Refunding Revenue Bonds in the amount of \$4,380,000. The 2010 bonds bear interest at rates from 0.90% to 3.10% per annum and mature at various dates through June 2018. There is a debt reserve requirement of \$498,000. As a result of the current refunding, the University reduced its total debt service requirements by \$359,889 which resulted in an economic gain of \$290,680.

On December 15, 2010, Northwest Missouri State University issued \$1,485,000 Parking System Refunding Revenue Bonds to provide for the refunding of the 2001 Parking System Revenue Bond issue (principal outstanding at December 15, 2010, was \$1,785,000). These bonds are payable as to principal and interest from the revenues derived from the operation of the University's parking system after payment of costs and operation and maintenance that are not paid from other legally available funds. Proceeds from the bond issue were for the purpose of defeasing the principal outstanding on the 2001 Parking System Revenue bonds. The 2010 bonds bear interest at rates from .90% to 1.60% per annum and mature at various dates through June 2013. There is a debt reserve requirement of \$148,500 which was transferred from the 2001 issue debt reserve requirement. As a result of the current refunding, the University reduced its total debt service requirements by \$42,500 which resulted in an economic gain of \$51,187.

On March 31, 2011, Southeast Missouri State University issued \$30,420,000 System Facilities Refunding Revenue Bonds Series 2011. The Series 2011 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2011 bonds maturing April 1, 2017 and thereafter shall be subject to redemption on or after April 1, 2016 at a redemption price of 100% of the principal amount. The Series 2011 bonds bear interest at rates varying from 1.25% to 5.00% and mature serially through fiscal year 2032. The Series 2011 bonds refunded the System Facilities revenue Bonds Series 2001 and 2002, which had an average interest rate of 4.92% and 5.08%, respectively. The current refunding decreased the University's total debt service payments by \$2,796,000 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$1,570,000.

**B. Cumulative Debt Defeasances**

Various bond issues have been defeased by creating separate irrevocable trust funds.

Either new debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds or sufficient funds have been deposited in an irrevocable escrow to pay principal and interest as they become due.

For financial reporting purposes, the following debt has been defeased and therefore removed as a liability from the governmental activities and college and universities Statement of Net Assets.

Governmental Activities – As of June 30, 2011, bonds outstanding of \$497,310,000 are defeased.

College and Universities – As of June 30, 2011 bonds outstanding of \$203,115,000 are defeased.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 14 – Payables and Receivables**

A summary of accounts payable and accounts receivable at June 30, 2011, is shown below (in thousands of dollars):

	Governmental Activities	Business-Type Activities	Balance June 30, 2011
Accounts Payable:			
Taxpayers	\$ 104,024	\$ 29	\$ 104,053
Other Governments	132,661	5	132,666
Vendors	936,832	23,078	959,910
Employees	108,375	2,689	111,064
Other	78,632	2	78,634
	<u>\$ 1,360,524</u>	<u>\$ 25,803</u>	<u>\$ 1,386,327</u>
Total Accounts Payable			
	<u>\$ 1,360,524</u>	<u>\$ 25,803</u>	<u>\$ 1,386,327</u>
Accounts Receivable with expected date of receipt within one year:			
Taxpayers	\$ 2,544,800	\$ 1,859	\$ 2,546,659
Other Governments	656,709	62	656,771
Vendors	818,751	---	818,751
Customers	74,294	271,392	345,686
Other	1,146,123	1,162	1,147,285
	<u>5,240,677</u>	<u>274,475</u>	<u>5,515,152</u>
Accounts Receivable with expected date of receipt greater than one year:			
Vendors	18	---	18
Customers	33	19	52
	<u>51</u>	<u>19</u>	<u>70</u>
Accounts Receivable	5,240,728	274,494	5,515,222
Amounts not expected to be collected	<u>(1,823,718)</u>	<u>(48)</u>	<u>(1,823,766)</u>
Accounts Receivable, net	<u>\$ 3,417,010</u>	<u>\$ 274,446</u>	<u>\$ 3,691,456</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 15 – Interfund Assets and Liabilities**

A summary of interfund assets and liabilities at June 30, 2011, is shown below (in thousands of dollars):

	<b>Due From Other Funds, Component Units, and Primary Government</b>					<b>Totals</b>
	<b>Public Education</b>	<b>Conservation and Environmental Protection</b>	<b>Non-Major Governmental Funds</b>	<b>Non-Major Enterprise Funds</b>	<b>Internal Service Funds</b>	
<b>Due to Other Funds, Component Units, and Primary Government</b>						
General Fund	\$ ---	\$ ---	\$ ---	\$ 31	\$ 13,615	\$ 13,646
Public Education	---	---	---	---	6	6
Conservation and Environmental Protection	---	---	---	21	475	496
Missouri Road Fund	---	---	---	1	61	62
Non-Major Governmental Funds	---	---	---	3	975	978
State Lottery	27,687	---	---	---	38	27,725
Unemployment Compensation	---	---	299	---	---	299
Petroleum Storage Tank Insurance	---	---	---	2	1	3
Non-Major Enterprise Funds	---	---	---	---	103	103
Internal Service Funds	---	---	---	6	530	536
Non-Major Component Units	---	666	---	---	1	667
<b>Totals</b>	<b>\$ 27,687</b>	<b>\$ 666</b>	<b>\$ 299</b>	<b>\$ 64</b>	<b>\$ 15,805</b>	<b>\$ 44,521</b>

	<b>Advance From Component Units and Primary Government</b>		
	<b>Missouri Road Fund</b>	<b>Non-Major Component Units</b>	<b>Totals</b>
<b>Advance To Component Units and Primary Government</b>			
Conservation and Environmental Protection	\$ ---	\$ 4,418	\$ 4,418
Non-Major Component Units	3,852	---	3,852
<b>Totals</b>	<b>\$ 3,852</b>	<b>\$ 4,418</b>	<b>\$ 8,270</b>

The loans from the component units were for the construction of additional state highways and for animal waste treatment systems.

During the consolidation process for the Government-Wide Statement of Net Assets, interfund payables and receivables were eliminated as follows: \$2,000 on the face of the Proprietary Funds Statement of Net Assets and governmental activities in the amount of \$15,662,000.

The amount reported as "Due from Other Funds" for fiscal year 2011 is significantly more than what was reported in fiscal year 2010. While there was a decrease in the amount "Due from Other Funds" relating to the consolidation of mail room services and relocating state agencies from leased buildings to state-owned buildings, there was an even greater increase in the amount due to the Lottery Proceeds Fund from State Lottery relating to an increase in lottery sales.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 16 – Interfund Transfers**

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2011, were as follows (in thousands of dollars):

	<b>Transfers In:</b>			
	General Fund	Public Education	Missouri Road Fund	Non-Major Governmental Funds
<b>Transfers Out:</b>				
General Fund	\$ ---	\$ 2,663,041	\$ ---	\$ 185,898
Public Education	27,010	---	---	---
Conservation and Environmental Protection	554	---	---	4,359
Non-Major Governmental Funds	9,361	36,049	515,181	12,397
State Lottery	---	265,278	---	---
Non-Major Enterprise Funds	20	---	---	---
Internal Service Funds	---	---	---	33
<b>Totals</b>	<b>\$ 36,945</b>	<b>\$ 2,964,368</b>	<b>\$ 515,181</b>	<b>\$ 202,687</b>

**Continues Below**

	Lottery	Internal Service Funds	Totals
<b>Transfers Out:</b>			
General Fund	\$ ---	\$ ---	\$ 2,848,939
Public Education	---	---	27,010
Conservation and Environmental Protection	---	---	4,913
Non-Major Governmental Funds	---	48	573,036
State Lottery	---	---	265,278
Non-Major Enterprise Funds	---	---	20
Internal Service Funds	18	51	102
<b>Totals</b>	<b>\$ 18</b>	<b>\$ 99</b>	<b>\$ 3,719,298</b>

Principal reasons for interfund transfers include:

- moving general revenue funds to support elementary and secondary education
- moving state lottery funds to support elementary and secondary education
- moving general revenue funds to support social assistance programs reported in non-major governmental funds
- moving funds related to the construction of capital assets

During fiscal year 2011, there were transfers of \$377,000 from internal service funds to the General Fund and non-major governmental funds. These were transfers of capital assets and are therefore not reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances or on the reconciliation above. This is because governmental funds use the modified accrual basis of accounting and therefore do not report capital assets on their financial statements. There were also transfers of capital assets for \$435,000 from the General Fund and non-major governmental funds to internal service funds. These are reported as capital contributions in the internal service funds and excluded from the General Fund; therefore, these transfers are also not included in this reconciliation.

The amount reported as transfers for fiscal year 2011 fluctuated between governmental funds due to the reclassification of funds from the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (see Note 2).

**STATE OF MISSOURI**  
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**Note 17 – Restatements**

During fiscal year 2011, additional information became available which required the restatement of fund equity amounts. The following table presents a summary of these restatements by fund (in thousands of dollars):

	June 30, 2010 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2010 Fund Balance/ Net Assets Restated
<b>GOVERNMENTAL FUNDS</b>			
<b>Major Governmental Funds</b>			
General Fund	\$ 1,202,095	\$ 38,381	\$ 1,240,476
Public Education	241,122	(2,199)	238,923
Conservation and Environmental Protection	1,264,193	(37,793)	1,226,400
Transportation and Law Enforcement	213,930	(213,930)	---
<b>Non-Major Governmental Funds</b>			
Special Revenue	307,400	152,189	459,589
<b>PROPRIETARY FUNDS</b>			
<b>Non-Major Proprietary Funds</b>			
Enterprise	89,991	(2,493)	87,498
Internal Service	552,912	(8,840)	544,072
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>			
College and Universities	5,182,680	(150)	5,182,530
Non-Major	184,772	2	184,774

**Breakdown of restatements by type:**

- General Fund, the restatement was an increase in cash and cash equivalents of \$7,893,000, an increase in investments of \$41,386,000, an increase in accounts receivable of \$1,477,000, an increase in interest receivable of \$55,000, an increase in loans receivable of \$22,078,000, a decrease in accounts payable of \$29,314,000, an increase in accrued payroll of \$159,000, an increase in due to other funds of \$23,000, and an increase in deferred revenue of \$3,518,000 due to the reclassification of funds from the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. A decrease in accounts receivable of \$63,370,000, a decrease in accounts payable of \$3,306,000, and an increase in deferred revenue of \$58,000.
- Public Education, the restatement was a decrease in cash and cash equivalents of \$480,000, a decrease in investments of \$1,894,000, an increase in accounts receivable of \$205,000, a decrease in interest receivable of \$7,000, an increase in inventories of \$1,000, an increase in accounts payable of \$56,000, a decrease in accrued payroll of \$21,000, a decrease in due to other funds of \$5,000, and a decrease in deferred revenue of \$6,000 due to the reclassification of funds from the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
- Conservation and Environmental Protection, the restatement was a decrease in cash and cash equivalents of \$3,157,000, a decrease in investments of \$12,438,000, a decrease in accounts receivable of \$111,000, a decrease in interest receivable of \$19,000, a decrease in loans receivable of \$22,078,000, a decrease in accounts payable of \$16,000, a decrease in accrued payroll of \$34,000, a decrease in due to other funds of \$2,000, and a decrease in deferred revenue of \$9,000 due to the reclassification of funds from the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. A decrease in accounts receivable of \$51,000.
- Transportation and Law Enforcement, the restatement was a decrease in fund balance of \$213,930,000 due to the reclassification of the fund from a major governmental fund to a non-major governmental fund (see *Note 2*).

STATE OF MISSOURI  
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**Note 17 – Restatements (cont.)**

- Non-major special revenue funds, the restatement was a decrease in cash and cash equivalents of \$4,256,000, a decrease in investments of \$27,054,000, a decrease in accounts receivable of \$1,571,000, a decrease in interest receivable of \$29,000, a decrease in inventories of \$1,000, an increase in accounts payable of \$29,274,000, a decrease in accrued payroll of \$104,000, a decrease in due to other funds of \$16,000, and a decrease in deferred revenue of \$3,503,000 due to the reclassification of funds from the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. A decrease in accounts receivable of \$21,000, an increase in accounts payable of \$3,155,000, and an increase in deferred revenue of \$3,000. An increase in fund balance of \$213,930,000 was due to the reclassification of Transportation and Law Enforcement from a major governmental fund to a non-major governmental fund (see *Note 2*).
- Non-major enterprise funds, the restatement was a decrease in capital assets (net of accumulated depreciation/amortization) of \$2,493,000.
- Non-major internal service funds, the restatement was a decrease in accounts receivable of \$578,000, a decrease in inventories of \$35,000, a decrease in capital assets (net of accumulated depreciation/amortization) of \$8,228,000, and a decrease in obligations under lease purchase of \$1,000.
- Discretely presented component units – college and universities, the restatement was a decrease of \$150,000 due to a decrease in accounts receivable which was made to match revenue received in the prior year with expenditures recorded in the current year.
- Discretely presented component units – non-major funds, the restatement was an increase in capital assets (net of accumulated depreciation/amortization) of \$2,000.

**Purpose for restatements:**

The items on the schedule were restated as a result of additional information received this year related to prior year corrections.

On the Government-Wide Statement of Activities, net assets for the governmental activities were restated by the amounts shown on the restatement schedule for governmental funds and internal service funds. In addition, capital assets (net of accumulated depreciation/amortization) decreased by \$4,139,000, the Internal Balance increased by \$3,000, a decrease in obligations under lease purchase of \$473,000, and an increase in pollution remediation obligation of \$68,000.

On the Government-Wide Statement of Activities, net assets for the business-type activities were restated by the amounts shown on the restatement schedule for enterprise funds and by a decrease in the Internal Balance of \$3,000.

**Note 18 – Fund Deficit**

The following funds had a deficit balance:

Enterprise Fund – Petroleum Storage Tank Insurance – At June 30, 2011, this fund had a net asset deficit of \$27,664,000. The deficit at June 30, 2010 was \$26,903,000. The deficit occurred when transport load fees collected were not sufficient to cover the estimated claims liability for clean up of petroleum storage tank leaks. This liability amount is the cumulative result of numerous years of petroleum storage tank leaks. Per Section 319.129, RSMo, this fund will not accept new claim liabilities after December 31, 2020, or upon revocation of federal regulation 40 CFR, whichever occurs first, unless extended by action of the General Assembly. Various alternatives are being considered to pay off the claims liability amount of this fund. Per Section 319.131, RSMo, the liability of the Petroleum Storage Tank Insurance Fund is not the liability of the State. Upon dissolution of this fund, the liability would be liquidated.

**STATE OF MISSOURI**  
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**Note 18 – Fund Deficit (cont.)**

Enterprise Fund – Unemployment Compensation Insurance – At June 30, 2011, this fund had a net asset deficit of \$472,918,000. The deficit at June 30, 2010 was \$454,351,000. The reason for this deficit is the high unemployment rate associated with the recent national economic climate. The prolonged high unemployment made it necessary for the State of Missouri, along with other states, to borrow from the federal government to pay unemployment benefits. Since Missouri has carried a loan balance through January 1<sup>st</sup> for two consecutive years, the federal government has begun reducing the Federal Unemployment Tax Act (FUTA) tax credit that Missouri employers are allowed to claim on their taxes. Additional tax dollars collected by the federal government as a result of the FUTA tax credit reduction will be used to begin paying down Missouri's loan balance. Missouri projects its current loan balance will be fully repaid in calendar year 2015, with short-term sporadic borrowing needed in 2016 and 2017.

Internal Service Fund – Transportation Self-Insurance Plan Fund – At June 30, 2011, this fund had a net asset deficit of \$18,299,000. The deficit at June 30, 2010 was \$11,390,000. The deficit occurred due to funding being based on annual actuarial studies and budget availability. Increases in appropriations and claims management will eliminate the deficit over time.

**Note 19 – Related Party Transactions**

The Missouri State Public Employees' Deferred Compensation Plan was administered by ING Institutional Plan Services. ING Life Insurance and Annuity Company provides affixed earnings investments for plan participants while ING Institutional Plan Services provides variable earnings investments. At June 30, 2011, total investments of the Plan were \$1,150,244,000 and investments in ING Life Insurance and Annuity Company were \$456,647,000.

**Note 20 – Commitments**

**Contracts**

The Department of Conservation had contracts outstanding of \$2,000 for land acquisitions and \$8,485,000 for construction contracts at June 30, 2011. These contracts are funded through the special revenue funds from specific sales tax, fees, and permits.

The Department of Transportation had long-term contracts of \$1,113,954,000 outstanding at June 30, 2011. These contracts are paid from capital projects funds with approximately 71% federal reimbursement expected.

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2011 of \$14,263,000. Approximately 88% will be paid from the General Fund, 6% from special revenue funds, 2% from capital projects funds, 2% from internal service funds, and 2% from enterprise funds.



STATE OF MISSOURI  
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**Note 20 – Commitments (cont.)**

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to \$10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provided a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2011 was \$364,000. This payment was made in arrears as it was part of a fiscal year 2011 expenditure restriction plan. Payment of principal and interest must be completed by March 2038.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) purchased a new pension administration software system during fiscal year 2007. Payments totaling \$2,924,000 have been made, leaving \$506,000 outstanding at June 30, 2011.

As of June 30, 2011, the University of Missouri had outstanding commitments for the usage and ongoing support of the University Health System's information technology environment totaling \$136,646,000. The payments are as follows:

2012	\$	13,002,000
2013		14,938,000
2014		15,386,000
2015		15,847,000
2016		16,322,000
thereafter		61,151,000

Truman State University had approximately \$3,686,000 in outstanding commitments for various construction contracts at June 30, 2011.

Southeast Missouri State University had outstanding commitments of approximately \$62,190,000 related to construction contracts at June 30, 2011.

Missouri State University had approximately \$35,800,000 in outstanding commitments for various construction contracts at June 30, 2011.

University of Central Missouri had approximately \$3,234,000 in outstanding commitments related to construction contracts at June 30, 2011.

**Note 21 – Risk Management and Insurance**

The State is exposed to various risks of loss related to tort, general, motor vehicle, and contractor liability and injuries to employees. The State assumes its own liability for risks except for the purchase of surety bond, aircraft, and boiler coverage. The State's Office of Administration (OA), Risk Management Unit, self-insures its workers' compensation program for all state employees, with the exception of the Missouri Department of Transportation (MoDOT) and the State Highway Patrol. Liability insurance is also provided by OA-Risk Management, pursuant to State statute, through the State's legal expense fund, which is a component of the General Fund in this report. This insurance covers all state employees.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 21 – Risk Management and Insurance (cont.)**

The Workers' Compensation and Legal Expense Fund claims liability is based upon actual claims that have been submitted to OA-Risk Management. IBNR (incurred but not reported) liability is not included since workers' compensation and liability insurance claims are reported timely, and therefore any potential IBNR liability amount would be considered immaterial. The State has not had any insurance settlements exceed the coverage during the past three fiscal years. OA-Risk Management also procures property insurance for 3% of the total value of the State's property with the remainder uninsured. The buildings that are insured are mainly the buildings backed with bonded debt through the Board of Public Buildings.

The Transportation Self-Insurance Plan covers workers' compensation for employees of MoDOT and the State Highway Patrol, and covers vehicle liability and general liability insurance for the employees of MoDOT. The Transportation Self-Insurance Plan is presented as an internal service fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims from data provided by an actuary. Liabilities are reported at their discounted value, assuming an investment yield of 4%.

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all state employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an internal service fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. The payment for this claim was completed in fiscal year 2011.

The Petroleum Storage Tank Insurance Fund (PSTIF) has claims liability for the cost of contamination cleanup for policyholders and other eligible site owners who have submitted notice of a contamination. The PSTIF is presented as a major enterprise fund.

The University of Missouri System provides workers' compensation, liability, and medical insurance for its employees. The University funds this through a combination of self-insurance and commercially purchased insurance. The amount of coverage is based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The claims liability is the present value of the claims, using discounted rates ranging between 3.7% and 4.5% based on future investment yields. The University of Missouri System is included with college and universities as a major component unit of the State.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 21 – Risk Management and Insurance (cont.)**

Missouri State University is exposed to various risks of loss. These include loss related to torts; business interruption; employee injuries and illnesses; employee health, dental and accidental benefits; natural disasters; damage to and destruction of assets; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters other than those related to natural disasters and employee health benefits, general liability, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self-Insurance Program, through the Risk Management Unit of the Office of Administration. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees.

Changes in the balances of claims liability (in thousands of dollars) during the current and prior fiscal years are as follows:

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2010</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2011</u>
OA Workers Compensation Fund	Workers Comp.	\$ 21,610	\$ 24,025	\$ (30,408)	\$ 15,227
OA Legal Expense Fund	Liability	1,230	2,168	(2,337)	1,061
Transportation Self-Insurance Plan	Workers Comp. and Liability	81,561	28,563	(20,140)	89,984
MCHCP	Health Care	41,317	255,623	(260,550)	36,390
MHPML	Health Care	11,800	103,234	(103,634)	11,400
CEIP	Health Care	1,245	17,048	(15,967)	2,326
DOR	Southwestern Bell Lawsuit	16,100	2,912	(19,012)	---
Total Governmental Activities		<u>\$ 174,863</u>	<u>\$ 433,573</u>	<u>\$ (452,048)</u>	<u>\$ 156,388</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 106,816</u>	<u>\$ 8,733</u>	<u>\$ (11,902)</u>	<u>\$ 103,647</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 77,501	\$ 194,051	\$ (198,603)	\$ 72,949
Missouri State University	Health Care, Workers Comp. and Liability	1,382	14,063	(14,345)	1,100
Total Component Units		<u>\$ 78,883</u>	<u>\$ 208,114</u>	<u>\$ (212,948)</u>	<u>\$ 74,049</u>

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 21 – Risk Management and Insurance (cont.)**

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2009</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2010</u>
OA Workers Compensation Fund	Workers Comp. Liability	\$ 24,920	\$ 22,243	\$ (25,553)	\$ 21,610
OA Legal Expense Fund	Liability	1,351	1,957	(2,078)	1,230
Transportation Self-Insurance Plan	Workers Comp. and Liability	68,776	31,337	(18,552)	81,561
MCHCP	Health Care	46,036	247,793	(252,512)	41,317
MHPML	Health Care	12,000	99,881	(100,081)	11,800
CEIP*	Health Care	1,667	13,431	(13,853)	1,245
DOR	Southwestern Bell Lawsuit	39,373	2,861	(26,134)	16,100
Total Governmental Activities		<u>\$ 194,123</u>	<u>\$ 419,503</u>	<u>\$ (438,763)</u>	<u>\$ 174,863</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 112,688</u>	<u>\$ 8,066</u>	<u>\$ (13,938)</u>	<u>\$ 106,816</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 73,266	\$ 191,350	\$ (187,115)	\$ 77,501
Missouri State University	Health Care, Workers Comp. and Liability	1,235	14,012	(13,865)	1,382
Total Component Units		<u>\$ 74,501</u>	<u>\$ 205,362</u>	<u>\$ (200,980)</u>	<u>\$ 78,883</u>

\*Restated.

**Risk Management Pool:**

The State of Missouri participates in the property program of the Midwestern Higher Education Compact (MHEC) as defined in Section 173.700, RSMo. This program was formed to expand coverage, reduce costs, and stabilize property insurance rates over extended time periods at higher education institutions in all member states. The program offers loss limit coverage tailored to individual institutions as well as self-insured retention by institution. The MHEC Risk Management Oversight Committee directs the major operations of the program overseeing the development of program policies, premium allocations, new program memberships, and selection of program administrators and insurance underwriters.

STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 22 – Pollution Remediation and Landfill Closure and Postclosure**

The State has an obligation to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

The Missouri Department of Natural Resources (DNR) was compelled to assess and oversee the cleanup of contaminated sites subject to federal law under the Resource Conservation and Recovery Act (RCRA), also known as the Superfund Law, administered by the U.S. Environmental Protection Agency (EPA). Under this law, the State is required to pay or ensure payment of 10% of the costs of remediation action and 100% of the costs of operations and maintenance at sites where the party responsible for the contamination is unknown, uncooperative, or insolvent. Similarly, Missouri law 260.371.7 states that the public should bear a portion of the cost to pay for the State's share of Superfund cleanup to be appropriated from general revenue. At the end of fiscal year 2011, the State was participating in the cleanup of 13 Superfund sites. Total pollution remediation obligation for these sites totaled approximately \$6.7 million. The basis for these costs are State Superfund contracts that list the estimated cost of cleanup, or actual costs if cleanup is complete, less any payments that have been made to the EPA. Estimated costs will change as actual costs become available. The Hazardous Waste Fund is a component of Conservation and Environmental Protection.

The Missouri Department of Transportation (MoDOT) performed work related to Missouri Department of Natural Resources' requirements for lagoons and a fuel leak. MoDOT is currently involved in remediation activities in three instances related to building and grounds caused by chemical contamination. There is a total remaining obligation of \$137,000 as of June 30, 2011. There are also three additional issues with lagoons at rest areas. The potential for pollution remediation exists; however, any future remediation obligations are not yet estimable.

The Office of Administration (OA), Division of Facilities Management, Design and Construction, continued asbestos, mold, and lead abatement and remediation, and fuel spill cleanup in six State sites during fiscal year 2011. One new site was added which required asbestos abatement and decontamination. At the end of the fiscal year, cleanup was not complete in two of the sites, with a total remaining obligation for fuel cleanup of \$68,000. These costs were based on contractual pricing estimates and are subject to change if the pollution remediation requires more time or material than was estimated. Facilities Maintenance Reserve Fund and the Federal Budget Stabilization – Medicaid Reimbursement Fund are both components of the General Fund in this report.

The Department of Public Safety, Office of the Adjutant General, has been named as a potentially responsible party in the Pools Prairie Superfund site in Newton County, Missouri. The Resource Conservation and Recovery Act (RCRA), also known as the Superfund Law, is administered by the U.S. Environmental Protection Agency (EPA). This law says the State is required to pay or ensure payment of 10% of the costs of remediation action and 100% of the costs of operations and maintenance at sites where the party responsible for the contamination is unknown, uncooperative, or insolvent. Similarly, Missouri law 260.371.7 states that the public should bear a portion of the cost to pay for the State's share of Superfund cleanup to be appropriated from general revenue. At this time, it cannot be determined the Department of Public Safety's portion of the costs for the cleanup of the Pools Prairie Superfund site.

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**Note 22 – Pollution Remediation and Landfill Closure and Postclosure (cont.)**

Changes in the balances of pollution remediation liability (in thousands of dollars) during the current fiscal year are as follows:

<u>Governmental Activities</u>	<u>Type of Pollution Remediation</u>	<u>Fiscal Year Remediation Liability 6/30/2010 *</u>	<u>Current Year Assessments and Estimated Changes</u>	<u>Payments</u>	<u>Fiscal Year Remediation Liability 6/30/2011</u>	<u>Due Within One Year</u>
DNR-Hazardous Waste Fund	Superfund Sites	\$ 9,929	\$ ---	\$ (3,209)	\$ 6,720	\$ 1,817
MoDOT-Missouri Road Fund	Chemical Contamination	15	198	(76)	137	137
OA-General Revenue Fund	Fuel Spill Remediation	68	---	---	68	68
OA-Federal Budget Stabilization-Medicaid RE Fund	Asbestos Abatement and Inspections	11	---	(11)	---	---
OA-Facilities Maintenance Reserve Fund	Asbestos Abatement and Inspections	39	---	(39)	---	---
OA-Facilities Maintenance Reserve Fund	Mold Remediation and Abatement	10	---	(10)	---	---
OA-Facilities Maintenance Reserve Fund	Lead Paint Abatement and Air Monitoring	14	---	(14)	---	---
Total Governmental Activities		<u>\$ 10,086</u>	<u>\$ 198</u>	<u>\$ (3,359)</u>	<u>\$ 6,925</u>	<u>\$ 2,022</u>
<u>Proprietary</u>						
OA-State Parks	Asbestos Abatement/Decontamination	<u>\$ ---</u>	<u>\$ 163</u>	<u>\$ (163)</u>	<u>\$ --</u>	<u>\$ ---</u>

\*Restated.

The State does not own any municipal solid waste landfills (MSWLF), however in the event the owner/operator refuses or is unable to properly maintain the landfill, the owner/operator forfeits the required financial assurance instrument(s) to fund closure and/or post-closure maintenance activities.

Each landfill owner/operator is required to obtain a financial assurance instrument, which is held by the State as security in the case of a default or forfeiture. Financial assurance instruments can include financial guarantee or performance bonds, letters of credit, insurance policies, corporate guarantees, contracts of obligations, trust funds, and escrow accounts. At June 30, 2011, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be \$289,588,000. This amount is disclosed, but not reported in the financial statements, because the State does not perform the investment function and does not have significant administrative involvement. While the State maintains possession of the financial assurance instruments, it does not meet criteria to be reported in a fiduciary fund.

At June 30, 2011, ten MSWLFs and two waste tire facilities have defaulted. The owners/operators failed to properly close or maintain post-closure care for these facilities; therefore, the State took possession of the forfeited financial assurance instruments to initiate the closure or post-closure activities as required by Section 260.228, RSMo. The State will monitor and pay post-closure care costs of these facilities for the next 30 years in accordance with Missouri Department of Natural Resources Solid Waste Management Law and Regulations. At June 30, 2011, it is expected that \$2,317,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been designated as assigned on the General Fund balance sheet for forfeited assets.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 23 – Contingencies**

Contingent claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities of governmental funds are reported as a reconciling item to the Government-Wide Statement of Net Assets. Expenditures are recognized as payments are made.

At June 30, 2011, the amount of the contingent liabilities was \$65.9 million. Changes in the reported liability since June 30, 2010, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2010-2011	\$ 54,800	\$ 14,480	\$ (3,400)	\$ 65,880
2009-2010	26,997	31,957	(4,154)	54,800
2008-2009	40,087	(11,150)	(1,940)	26,997

Section 287.220.6, RSMo, requires that an actuarial study of the Second Injury Fund be made every three years to determine the solvency of the fund. Figures presented below for current year claims and changes in estimates are based on the 2010 actuarial study. At June 30, 2011, the amount of liabilities for the Second Injury Fund was \$1.5 billion. Changes in the reported liability since June 30, 2010, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2010-2011	\$ 1,444,064	\$ 113,401	\$ (37,376)	\$ 1,520,089
2009-2010	1,372,477	111,003	(39,416)	1,444,064
2008-2009	1,248,013	191,330	(66,866)	1,372,477

The State receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements to the grantor agency for expenditures which are disallowed under grant terms. The State believes that such disallowances, if any, would be immaterial in the next fiscal year.

**Loan Guarantees:**

In the past, the State appropriated money to the Missouri Development Finance Board for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Board makes the payment for default from Board funds. At the end of fiscal year 2011, there were no guaranteed loans outstanding and no loans defaulted.

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 50% first-loss guarantee on loans up to \$250,000. The total of these two loan programs outstanding at June 30, 2011, for which the Authority has guaranteed payment is, \$1,160,000 and \$4,771,000, respectively. During 2011, no loans defaulted.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 23 – Contingencies (cont.)**

**Sales and Use Tax Lawsuits:**

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. A settlement was reached regarding some claims, filed by multiple taxpayers, related to the Southwestern Bell cases. At this time, no current liability remains as of June 30, 2011. Refund claims related to these cases that were filed by other companies that are still pending verification and exclusive of interest (which could be substantial) could negatively affect the State by \$30.5 million, of which \$17.1 million is related to the General Fund.

The State is also involved in tax litigation not included in the fiscal year 2011 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of \$22.9 million.

**Education Lawsuits:**

Four education lawsuits are pending: Committee for Educational Equality, et al vs. the State of Missouri, et al (Case No. 04CV323022), filed in the Circuit Court of Cole County; Jenkins, et al vs. School District of Kansas City, Missouri, et al (Case No. 77-0420-CV-DW), filed in the U.S. District Court, Western Division; Kansas City Missouri Public Schools vs. Missouri Board of Fund Commissioners (Case No. 05AC-CC00389), filed in the Circuit Court of Cole County; the School District of Kansas City, Missouri vs. State of Missouri, Missouri Board of Education, DESE, and D. Kent King filed in the Circuit Court of Cole County, filed with the Missouri Supreme Court. Arguments are being heard, and decisions in these cases may require additional state money or a revision to the current school aid formula.

**Tobacco Master Settlement Agreement:**

This is a potential reduction in a liability owed to the State by tobacco manufacturers under the Master Settlement Agreement (MSA). The State is currently involved in national arbitration against the manufacturers participating in the MSA over their pending claim for a downward adjustment to their 2004 settlement payments. The manufacturers challenge the enforcement record of 35 settling states. The State's total exposure depends upon the arbitration panel's determination of whether Missouri and the 34 other challenged states diligently enforced their qualifying statutes in 2003.

Missouri's total potential exposure is up to the entire amount of the 2004 annual payment from the manufacturers (subject to a later 20% reimbursement). The amount of \$0 to \$117 million is an estimate, which depends upon many variables. Should Missouri lose the arbitration, the State would lose almost \$77 million presently held in a dispute account, and the next annual payment could be reduced by nearly \$40 million, plus interest calculated from April 15, 2004. That amount may fluctuate depending on the total number of states found by the arbitration panel to have failed to diligently enforce their qualifying statutes in 2003. Such a loss would be taken as a credit against the manufacturers' MSA payments to Missouri in the next or subsequent years. Furthermore, the tobacco manufacturers may withhold some portion of future payments and seek arbitration of the same issue for subsequent years.



STATE OF MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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**Note 24 – Joint Ventures**

The Regional Convention and Sports Complex Authority was created by state law for the purpose of financing, constructing, operating, and maintaining a multipurpose convention and sports facility to be located in the City of St. Louis. The Authority operates under a board of commissioners of whom five are appointed by the Governor of the State, three by the County Executive of St. Louis County, and three by the Mayor of the City of St. Louis. The Authority is granted all rights and powers necessary to plan, finance, construct, equip, and maintain the facility.

The Authority is considered a joint venture of the State, County, and City because it constitutes a contractual agreement for public benefit in which the State, County, and City retain an ongoing financial responsibility for the Convention and Sports Facility Project Bonds. In August 1991, the Authority issued \$258,670,000 of Convention and Sports Facility Project Bonds. The bonds were sponsored in the amount of \$132,910,000 by the State (Series A), \$65,685,000 by the County (Series B), and \$60,075,000 by the City (Series C). In December 1993, the Authority issued \$181,885,000 in Convention and Sports Facility Project and Refunding Bonds to advance refund \$101,410,000 and \$50,275,000 of the outstanding 1991 Series A and Series B bonds, respectively, and for additional construction costs. The bonds were sponsored in the amount of \$121,705,000 by the State (Series A) and \$60,180,000 by the County (Series B). In February 1997, the Authority issued \$61,285,000 in Series C refunding bonds to advance refund \$47,155,000 of the outstanding 1991 Series C bonds. In August 2003, the Authority issued \$116,030,000 of Convention and Sports Facility Project and Refunding Bonds Series A 2003 to refund \$2,845,000 and \$113,170,000 of Series A 1991 and Series A 1993 refunding bonds, respectively, and for additional construction costs. In May 2007, the Authority issued \$49,585,000 in Series C 2007 refunding bonds to refund \$61,285,000 of original principal of the Series C 1997 refunding bonds.

Pursuant to a financing agreement entered into in August 1991, and terminating in August 2021, the Authority leased the facility to the sponsors who subleased the facility back to the Authority. The payments made by the State, County, and City under the financing agreement are sufficient to pay the principal and interest on the bonds. In addition, the sponsors provide annual appropriations intended to keep the facility in good repair and competitive with the top 25% of NFL facilities. See *Note 12* for the specific debt service requirements that make up the State's ongoing financial responsibility for this joint venture.

Summary financial information for the Authority as of and for the fiscal year ended December 31, 2010, is presented below (in thousands of dollars):

Total Assets	\$ 268,743
Total Liabilities	\$ 167,204
Total Net Assets	101,539
Total Liabilities and Net Assets	\$ 268,743
Total Revenues	\$ 24,637
Total Expenses	27,272
Net Decrease in Net Assets	\$ (2,635)

Copies of the Authority's financial statements may be requested from:

St. Louis Regional Convention  
and Sports Complex Authority  
901 North Broadway  
St. Louis, Missouri 63101

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 25 – Endowments**

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a major component unit of the State. For the college and universities, except the University of Missouri, the net appreciation of the endowments available for expenditure is \$2,379,000, and of this amount, \$929,000 is reported as restricted non-expendable net assets, \$1,289,000 is reported as restricted expendable net assets, and \$161,000 is reported as unrestricted net assets. The University of Missouri reported a net appreciation/amortization of restricted non-expendable net assets in the amount of \$105,184,000, which consisted of both realized and unrealized losses on investment. For detailed information on the college and universities, review the individual financial statements. The Revised Statutes of Missouri authorize the acceptance of donations at State agencies or public institutions. The governing boards of these institutions and the donor agreements determine whether net appreciation can be spent and the acceptable spending rate as detailed in Section 402.035, RSMo. These policies are entity specific and vary with each institution.

**Note 26 – Conduit Debt**

As of June 30, 2011, the Missouri Development Finance Board issued \$1,299,632,000 in Single Issue Industrial Revenue Bonds and \$1,737,610,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2011, were approximately \$682,578,000 and \$797,410,000, respectively.

The Missouri Development Finance Board and the State have no liability for repayment of these revenue bonds and funding notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded as a liability on the financial statements for the Missouri Development Finance Board. The debtor pays all debt service requirements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

The State Environmental Improvement and Energy Resources Authority, a related organization of the State of Missouri, issues Water Pollution Control and Drinking Water Revenue Bonds on behalf of the Department of Natural Resources. The outstanding balance on these bonds as of June 30, 2011, is \$1,172,894,000.

The State of Missouri has no liability for repayment of these revenue bonds beyond the resources provided by related loan programs. The bonds are limited obligations of the State Environmental Improvement and Energy Resources Authority.

**Note 27 – Federal Surplus Commodities Inventory**

The federal surplus commodities inventory for the Department of Social Services was \$6,000 as of June 30, 2011. This inventory is not considered to be an asset of the State and is not included in the financial statements.

**Note 28 – Subsequent Events**

Other Bonds:

On September 27, 2011, the Board of Public Buildings of the State of Missouri issued \$143,020,000 of Special Obligation Refunding Bonds Series A 2011. These bonds will bear interest from 1.00% to 5.00%, due in semiannual installments beginning April 1, 2012. This refunded Board of Public Buildings Bonds in the following amounts: Series A 2001 – \$126,850,000, Series A 2003 – \$12,620,000, and Series A 2006 – \$3,175,000.

**STATE OF MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**Note 28– Subsequent Events (cont.)**

On November 17, 2011, the Health and Educational Facilities Authority of the State of Missouri issued \$20,125,000 of Educational Facilities Refunding Revenue Bonds (University of Missouri–Columbia Arena Project) Series 2011. The bonds will bear interest from 2.00% to 5.00%, due in semiannual installments beginning April 1, 2012. This refunded the Authority's Educational Facilities Revenue Bonds Series 2001 outstanding principal in the amount of \$22,770,000.

**Retirement Legislation:**

On July 8, 2011, legislation was signed into law that contained provisions affecting the Missouri State Employees' Retirement System (MOSERS), the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS), the Missouri Deferred Compensation Plan, and employees of the Missouri Development Finance Board (MDFB). This legislation contained provisions that will result in new hires employed on or after July 1, 2012, being automatically enrolled at 1% of pay in the Deferred Compensation Plan that is administered by MOSERS, as well as language providing for MPERS and MOSERS to transfer funds between the two systems when an employee transfers service between the systems on or after September 1, 2011. The legislation also included provisions that will make any full-time employee of MDFB who is employed on or after September 1, 2011, a state employee and a member of MOSERS.

**Missouri Department of Transportation:**

The Series B 2005 First Lien State Road Bonds were issued as variable rate instruments with weekly rate changes. Since June 30, the rates varied from 0.04% to 0.18%.

**University of Missouri:**

On August 3, 2011, the University issued \$54,125,000 of System Facilities Revenue Bonds Series 2011, with average coupon rate of 4.6%. These bonds and other funds of the University were used to refund all of System Facilities Revenue Bonds Series 1998A, which had an outstanding principal amount of \$9,985,000, all of the System Facilities Revenue Bonds Series 2001B, which had an outstanding principal amount of \$40,635,000, and \$9,035,000 principal amount of the System Facilities Revenue Bonds Series 2003B, which had an outstanding principal amount of \$27,030,000. The average coupon for the refunded bonds was 5.0% and generated net present value savings of \$6,500,000 for the University.

**Unemployment Compensation:**

Due to prolonged high unemployment, Missouri is borrowing from the federal government in order to pay unemployment benefits. Since June 30, 2011, \$60,991,000 has been borrowed. Since Missouri has carried a loan balance through January 1 for two consecutive years, the federal government has begun reducing the Federal Unemployment Tax Act (FUTA) tax credit that Missouri employers are allowed to claim on their taxes. The additional tax dollars collected by the federal government as a result of the FUTA tax credit reduction will be used to begin paying down Missouri's loan balance.

**Deferred Compensation Plan:**

On November 11, 2011, the transition to a new third-party record keeper was completed for the State of Missouri Deferred Compensation Plan. The contract for Plan record keeping services was awarded to International City/County Management Association Retirement Corporation (ICMA–RC). This change should result in lower account fees for participants.



***Required Supplementary Information (RSI) includes the Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds, as well as the Budget to Generally Accepted Accounting Principles (GAAP) reconciliation, and the Notes to RSI on Budgetary Reporting.***

STATE OF MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND, MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)

	General*				Public Education*				Conservation and Environmental Protection*			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 1,321,780	\$ 1,321,780	\$ 1,321,780	\$ ---	\$ 160,932	\$ 160,932	\$ 160,932	\$ ---	\$ 305,733	\$ 305,733	\$ 305,733	\$ ---
Resources (Inflows):												
Taxes:												
Sales and Use	1,822,858	1,800,463	1,809,697	9,234	732,249	732,249	716,269	(15,980)	205,841	205,841	172,187	(33,654)
Individual Income	5,673,845	5,604,138	5,632,879	28,741	3,247	3,247	3,176	(71)	---	---	---	---
Corporate Income	458,976	453,338	455,662	2,324	---	---	---	---	---	---	---	---
County Foreign Insurance	212,531	209,920	210,996	1,076	---	---	---	---	---	---	---	---
Beer	8,283	8,181	8,223	42	---	---	---	---	---	---	---	---
Liquor	20,543	20,291	20,395	104	---	---	---	---	---	---	---	---
Cigarette	---	---	---	---	70,332	70,332	68,798	(1,534)	---	---	---	---
Corporation Franchise	82,328	81,317	81,734	417	---	---	---	---	---	---	---	---
Inheritance	2,133	2,107	2,118	11	---	---	---	---	---	---	---	---
Reimbursement/Miscellaneous	1,148,733	1,134,620	1,140,439	5,819	350,088	350,088	342,448	(7,640)	---	---	---	---
Total Taxes	9,430,230	9,314,375	9,362,143	47,768	1,155,916	1,155,916	1,130,691	(25,225)	205,841	205,841	172,187	(33,654)
Licenses, Fees, and Permits	86,083	85,033	85,412	379	1,883	1,883	1,842	(41)	89,297	89,297	74,697	(14,600)
Sales	698	690	691	1	---	---	---	---	9,982	9,982	8,350	(1,632)
Leases and Rentals	29	28	29	1	---	---	---	---	577	577	483	(94)
Services	298,646	297,966	275,902	(22,064)	---	---	---	---	---	---	---	---
Contributions and Intergovernmental	10,081,891	10,064,370	9,276,673	(787,697)	152,056	152,056	148,738	(3,318)	141,184	141,184	118,101	(23,083)
Interest	16,100	15,908	15,943	35	1,576	1,576	1,541	(35)	5,584	5,584	4,671	(913)
Penalties and Unclaimed Property	5,814	5,743	5,765	22	877	877	858	(19)	418	418	350	(68)
Cost Reimbursement/Miscellaneous	984,004	980,682	916,513	(64,169)	66,218	66,218	64,773	(1,445)	69,645	69,645	58,258	(11,387)
Transfers In	3,151,226	3,142,161	2,571,342	(570,819)	3,382,825	3,435,882	3,382,445	(53,437)	413	---	20	20
Total Resources (Inflows)	24,054,721	23,906,956	22,510,413	(1,396,543)	4,761,351	4,814,408	4,730,888	(83,520)	522,941	522,528	437,117	(85,411)
Amount Available for Appropriation	25,376,501	25,228,736	23,832,193	(1,396,543)	4,922,283	4,975,340	4,891,820	(83,520)	828,674	828,261	742,850	(85,411)
Charges to Appropriations (Outflows):												
Current:												
General Government	2,234,520	2,147,501	1,898,447	249,054	1,155	1,285	926	359	2,551	2,980	2,667	313
Education	2,816,020	2,612,138	2,345,380	266,758	4,319,051	4,252,941	4,187,817	65,124	---	---	---	---
Natural and Economic Resources	704,342	646,406	410,926	235,480	16,120	16,120	3,236	12,884	581,733	534,146	280,934	253,212
Transportation and Law Enforcement	417,188	519,073	353,485	165,588	155	182	167	15	993	993	693	300
Human Services	11,405,181	11,771,411	11,051,069	720,342	23,122	22,671	21,309	1,362	776	776	539	237
Debt Service	94,114	94,412	86,248	8,164	---	---	---	---	---	---	---	---
Transfers Out	6,882,280	6,782,020	6,142,516	639,504	459,651	500,912	454,279	46,633	68,587	69,214	42,933	26,281
Total Charges to Appropriations	24,553,645	24,572,961	22,288,071	2,284,890	4,819,254	4,794,111	4,667,734	126,377	654,640	608,109	327,766	280,343
Ending Budgetary Fund Balance	\$ 822,856	\$ 655,775	\$ 1,544,122	\$ 888,347	\$ 103,029	\$ 181,229	\$ 224,086	\$ 42,857	\$ 174,034	\$ 220,152	\$ 415,084	\$ 194,932
Reconciling Items:												
Reclassifying Cash Equivalents as Investments			(820,173)				(149,618)				(305,761)	
Investments at Fair Value			837,720				151,306				306,140	
Invested Securities Lending Collateral			44,825				8,082				8,747	
Receivables, net			1,964,782				130,447				967,812	
Due from Other Funds			---				27,687				---	
Due from Component Units			---				---				666	
Inventories			20,584				15				553	
Advance to Component Units			---				---				4,418	
Accounts Payable			(1,025,976)				(2,242)				(3,602)	
Accrued Payroll			(58,716)				(219)				(4,323)	
Due to Other Funds			(13,646)				(6)				(496)	
Securities Lending Obligation			(44,825)				(8,082)				(8,747)	
Deferred Revenue			(932,938)				(38,362)				(19,037)	
Escheat/Unclaimed Property			(100,008)				---				---	
Adjustments:												
Increase to Revenues: Medicaid			1,037,814				---				---	
Increase to Expenditures: Medicaid			(1,037,814)				---				---	
Fund Balance – GAAP Basis			\$ 1,415,751				\$ 343,094				\$ 1,361,454	

\*Beginning fund balance was restated due to the implementation of GASB Statement No. 54.

STATE OF MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY REPORTING  
June 30, 2011

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**Budgetary Presentation:**

A Budgetary Comparison Schedule is presented for the State's Major governmental funds, as well as Major Capital Project Funds. Revenues and expenditures are reported on a budgetary basis where "actual" revenues are recognized when cash is received, and "actual" expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2011, has been presented at the bottom of the Budgetary Comparison Schedule.

The budgetary expenditures are included in the current year's Appropriation Activity Report, which demonstrates legal compliance with the current year's budget. This report can be viewed at <http://oa.mo.gov/acct/AAR2011/index.htm>. The "original budget" expenditures and transfers are for what was originally appropriated for each fund. The "final budget" expenditures and transfers takes into account any increases and decreases to appropriations during the fiscal year less the Governor's amounts reverted (withheld) for each fund less any re-appropriations to the next fiscal year.

Once a year the Office of Administration-Division of Budget and Planning receives budgeted revenues from state agencies for each of their funds as well as a revised revenue estimate in the spring for the State's General Revenue Fund. The revised revenue estimate is used in the "final budget" column for the General Fund and is very comparable to actual revenue resulting in a small negative variance on this Schedule.

In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund; therefore, variances between "budgeted" and "actual" expenditures on the budgetary schedule will always be positive.

For budget purposes, interfund activity is not eliminated. A summary of interfund eliminations at June 30, 2011, is shown below (in thousands):

	Final Transfer		Actual Transfer	
	In	Out	In	Out
GENERAL FUND	\$ 2,835,380	\$ (2,835,380)	\$ 2,352,374	\$ (2,352,374)
SPECIAL REVENUE FUNDS				
Public Education	463,881	(463,881)	423,930	(423,930)
TOTAL	<u>\$ 3,299,261</u>	<u>\$ (3,299,261)</u>	<u>\$ 2,776,304</u>	<u>\$ (2,776,304)</u>

**Budgetary Control:**

Budgetary control is maintained at the departmental level; each Department of the Missouri government formulates a budget to be submitted for approval by the General Assembly prior to the beginning of the fiscal year. These budgets are prepared essentially on the cash basis. The legislature reviews, revises, and legally adopts these budgets. The Governor then has the authority to approve or veto each budget, subject to legislative override.

Budgeted expenditures cannot exceed estimated revenues and other sources of funding, including beginning fund balances. In the event that actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the legislature to address the issue.

Unexpended appropriations lapse at the end of each appropriation year, unless re-appropriated to the following appropriation year.



*Supplementary Information includes the Budgetary Comparison Schedule and Reconciliation for the Major Capital Projects Fund (Missouri Road Fund), as well as the Combining and Individual Fund Statements and Schedules for the General Fund and all Non-Major Funds.*

**STATE OF MISSOURI  
SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR CAPITAL PROJECTS FUND  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)**

	Missouri Road Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Beginning Budgetary Fund Balance	\$ 1,369,876	\$ 1,369,876	\$ 1,369,876	\$ ---
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	99,591	99,591	110,768	11,177
Fuel	106	106	134	28
Total Taxes	99,697	99,697	110,902	11,205
Licenses, Fees, and Permits	84,601	84,601	94,131	9,530
Contributions and Intergovernmental	795,127	795,127	1,341,137	546,010
Interest	11,786	11,786	11,894	108
Cost Reimbursement/Miscellaneous	151,329	151,329	140,141	(11,188)
Transfers In	525,000	525,000	515,181	(9,819)
Total Resources (Inflows)	1,667,540	1,667,540	2,213,386	545,846
Amount Available for Appropriation	3,037,416	3,037,416	3,583,262	545,846
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	1,006,854	1,057,524	902,810	154,714
Capital Outlay				
Transportation and Law Enforcement	1,387,304	1,457,865	1,242,419	215,446
Debt Service	224,231	224,231	224,231	---
Total Charges to Appropriations	2,618,389	2,739,620	2,369,460	370,160
Ending Budgetary Fund Balance	\$ 419,027	\$ 297,796	\$ 1,213,802	\$ 916,006
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(791,628)	
Investments at Fair Value			1,037,177	
Invested Securities Lending Collateral			119,072	
Receivables, net			119,735	
Inventories			46,731	
Accounts Payable			(118,425)	
Accrued Payroll			(17,377)	
Due to Other Funds			(62)	
Securities Lending Obligation			(119,072)	
Deferred Revenue			(40,828)	
Advance from Component Units			(3,852)	
Fund Balance – GAAP Basis			\$ 1,445,273	





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## *The Combining and Individual Fund Statements and Schedules*

### **Major Funds**

**General Fund** – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

### **Non-Major Funds**

This includes all non-major governmental and enterprise funds, as well as the non-major component units. It also includes all internal service and fiduciary funds because the “major fund” classification, created under GASB Statement 34, does not apply to these funds.

A budgetary comparison schedule is provided for all non-major governmental funds with the exception of capital projects funds.

**STATE OF MISSOURI  
BALANCE SHEET  
GENERAL FUND  
June 30, 2011  
(In Thousands of Dollars)**

	General Fund		Totals
	General	Federal	June 30, 2011
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 333,707	\$ 390,242	\$ 723,949
Investments	694,898	142,822	837,720
Invested Securities Lending Collateral	37,019	7,806	44,825
Accounts Receivable, Net	1,166,994	772,269	1,939,263
Interest Receivable	3,127	70	3,197
Inventories	19,721	863	20,584
Loans Receivable	22,322	---	22,322
Total Assets	<u>\$ 2,277,788</u>	<u>\$ 1,314,072</u>	<u>\$ 3,591,860</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 461,085	\$ 564,891	\$ 1,025,976
Accrued Payroll	42,632	16,084	58,716
Due to Other Funds	11,790	1,856	13,646
Securities Lending Obligation	37,019	7,806	44,825
Deferred Revenue	744,653	188,285	932,938
Escheat/Unclaimed Property	100,008	---	100,008
Total Liabilities	<u>1,397,187</u>	<u>778,922</u>	<u>2,176,109</u>
Fund Balances:			
Nonspendable	42,043	863	42,906
Restricted	3,471	471,717	475,188
Committed	512,623	---	512,623
Assigned	59,888	---	59,888
Unassigned	262,576	62,570	325,146
Total Fund Balances	<u>880,601</u>	<u>535,150</u>	<u>1,415,751</u>
Total Liabilities and Fund Balances	<u>\$ 2,277,788</u>	<u>\$ 1,314,072</u>	<u>\$ 3,591,860</u>

**STATE OF MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2011
<b>Revenues:</b>				
Taxes	\$ 7,015,323	\$ ---	\$ ---	\$ 7,015,323
Licenses, Fees, and Permits	84,603	527	---	85,130
Sales	673	10	---	683
Leases and Rentals	29	---	---	29
Services	40,660	231,775	---	272,435
Contributions and Intergovernmental	1,334,046	9,158,365	---	10,492,411
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	641	(324)	---	317
Interest	16,080	427	---	16,507
Penalties and Unclaimed Properties	44,207	74	---	44,281
Cost Reimbursement/Miscellaneous	240,124	177,093	---	417,217
Total Revenues	<u>8,776,386</u>	<u>9,567,947</u>	<u>---</u>	<u>18,344,333</u>
<b>Expenditures:</b>				
Current:				
General Government	567,143	85,059	---	652,202
Education	980,437	1,408,669	---	2,389,106
Natural and Economic Resources	72,274	391,441	---	463,715
Transportation and Law Enforcement	90,524	513,161	---	603,685
Human Services	4,786,613	6,374,141	---	11,160,754
Debt Service:				
Principal	46,366	838	---	47,204
Interest	40,511	159	---	40,670
Bond Issuance Cost	277	---	---	277
Underwriter's Discount	299	---	---	299
Arbitrage	42	---	---	42
Total Expenditures	<u>6,584,486</u>	<u>8,773,468</u>	<u>---</u>	<u>15,357,954</u>
Excess Revenues (Expenditures)	<u>2,191,900</u>	<u>794,479</u>	<u>---</u>	<u>2,986,379</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Capital Leases	1,431	---	---	1,431
Issuance of Refunding Bonds	76,910	---	---	76,910
Payments to Escrow Agents	(76,392)	---	---	(76,392)
Bond Premium	58	---	---	58
Proceeds from Sale of Capital Assets	257	122	---	379
Transfers In	713,144	125,150	(801,349)	36,945
Transfers Out	(2,793,071)	(857,217)	801,349	(2,848,939)
Total Other Financing Sources (Uses)	<u>(2,077,663)</u>	<u>(731,945)</u>	<u>---</u>	<u>(2,809,608)</u>
Net Change in Fund Balances	114,237	62,534	---	176,771
Fund Balances – Beginning	767,559	472,917	---	1,240,476
Increase (Decrease) in Reserve for Inventory	(1,195)	(301)	---	(1,496)
Fund Balances – Ending	<u>\$ 880,601</u>	<u>\$ 535,150</u>	<u>\$ ---</u>	<u>\$ 1,415,751</u>

**STATE OF MISSOURI  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS – BY FUND TYPE  
June 30, 2011  
(In Thousands of Dollars)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2011
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 121,487	\$ 24,741	\$ 6,814	\$ 190	\$ 153,232
Investments	227,803	79,051	15,052	39,678	361,584
Invested Securities Lending Collateral	12,913	2,991	740	22	16,666
Accounts Receivable, Net	175,485	8,146	---	---	183,631
Interest Receivable	411	94	36	1	542
Due from Other Funds	299	---	---	---	299
Inventories	3,776	---	---	---	3,776
Loans Receivable	3,175	---	---	---	3,175
Total Assets	<u>\$ 545,349</u>	<u>\$ 115,023</u>	<u>\$ 22,642</u>	<u>\$ 39,891</u>	<u>\$ 722,905</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 41,961	\$ 25	\$ 50	\$ ---	\$ 42,036
Accrued Payroll	10,030	---	63	---	10,093
Due to Other Funds	972	---	6	---	978
Securities Lending Obligation	12,913	2,991	740	22	16,666
Deferred Revenue	9,756	49	27	---	9,832
Total Liabilities	<u>75,632</u>	<u>3,065</u>	<u>886</u>	<u>22</u>	<u>79,605</u>
Fund Balances:					
Nonspendable	6,951	---	---	39,750	46,701
Restricted	212,345	111,958	21,756	---	346,059
Committed	31,185	---	---	---	31,185
Assigned	219,236	---	---	119	219,355
Total Fund Balances	<u>469,717</u>	<u>111,958</u>	<u>21,756</u>	<u>39,869</u>	<u>643,300</u>
Total Liabilities and Fund Balances	<u>\$ 545,349</u>	<u>\$ 115,023</u>	<u>\$ 22,642</u>	<u>\$ 39,891</u>	<u>\$ 722,905</u>

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS – BY FUND TYPE**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

					Totals
	Special Revenue	Debt Service	Capital Projects	Permanent	June 30, 2011
<b>Revenues:</b>					
Taxes	\$ 866,608	\$ 100,535	\$ ---	\$ ---	\$ 967,143
Licenses, Fees, and Permits	376,128	---	---	---	376,128
Sales	1,291	---	---	---	1,291
Leases and Rentals	153	---	---	---	153
Services	117	---	---	---	117
Contributions and Intergovernmental	224,661	5,338	2,613	---	232,612
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	(707)	(61)	(52)	(155)	(975)
Interest	1,878	928	198	12	3,016
Penalties and Unclaimed Properties	7,473	---	---	1,874	9,347
Cost Reimbursement/Miscellaneous	57,651	---	148	17	57,816
Total Revenues	<u>1,535,253</u>	<u>106,740</u>	<u>2,907</u>	<u>1,748</u>	<u>1,646,648</u>
<b>Expenditures:</b>					
Current:					
General Government	228,750	---	60	---	228,810
Education	1,543	---	---	---	1,543
Natural and Economic Resources	163,328	---	14,761	---	178,089
Transportation and Law Enforcement	272,890	---	4,004	---	276,894
Human Services	447,164	---	1	---	447,165
Capital Outlay:					
General Government	---	---	1	---	1
Transportation and Law Enforcement	---	---	3,313	---	3,313
Debt Service:					
Principal	865	61,740	---	---	62,605
Interest	157	91,238	---	---	91,395
Bond Issuance Costs	---	396	---	---	396
Underwriter's Discount	---	138	---	---	138
Total Expenditures	<u>1,114,697</u>	<u>153,512</u>	<u>22,140</u>	<u>---</u>	<u>1,290,349</u>
Excess Revenues (Expenditures)	<u>420,556</u>	<u>(46,772)</u>	<u>(19,233)</u>	<u>1,748</u>	<u>356,299</u>
<b>Other Financing Sources (Uses):</b>					
Issuance of Refunding Bonds	---	105,660	---	---	105,660
Payments to Refunded Bonds	---	---	---	---	---
Escrow Agent	---	(124,730)	---	---	(124,730)
Bond Premium	---	19,438	---	---	19,438
Proceeds from Sale of Capital Assets	4,951	---	1	---	4,952
Transfers In	158,555	37,532	6,600	---	202,687
Transfers Out	(573,036)	---	---	---	(573,036)
Total Other Financing Sources (Uses)	<u>(409,530)</u>	<u>37,900</u>	<u>6,601</u>	<u>---</u>	<u>(365,029)</u>
Net Change in Fund Balances	11,026	(8,872)	(12,632)	1,748	(8,730)
Fund Balances – Beginning	459,589	120,830	34,388	38,121	652,928
Increase (Decrease) in Reserve for Inventory	(898)	---	---	---	(898)
Fund Balances – Ending	<u>\$ 469,717</u>	<u>\$ 111,958</u>	<u>\$ 21,756</u>	<u>\$ 39,869</u>	<u>\$ 643,300</u>



*The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas.*

## **Non-Major Special Revenue Funds:**

**Professional Registration** – Provides for the control and regulation of various professions. Each profession has its own fund to account for its operation.

**Judicial Protection and Assistance** – Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses.

**Agriculture and State Fair** – Provides for inspections of products, market development, and awards for competition at the State Fair.

**Social Assistance** – Provides financial, health, and other services to qualifying individuals.

**Transportation and Law Enforcement** – Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

**Unemployment and Workers' Compensation** – Provides for the administration of these laws and benefits to workers who qualify for workers' compensation.

**Reimbursements and Other** – Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas.

**STATE OF MISSOURI  
COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS  
June 30, 2011  
(In Thousands of Dollars)**

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Transportation and Law Enforcement	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2011
<b>ASSETS</b>								
Cash and Cash								
Equivalents	\$ 16,028	\$ 7,557	\$ 2,099	\$ 30,098	\$ 29,855	\$ 20,309	\$ 15,541	\$ 121,487
Investments	33,477	15,781	7,847	60,833	35,236	42,420	32,209	227,803
Invested Securities								
Lending Collateral	1,830	863	227	3,314	2,601	2,318	1,760	12,913
Accounts Receivable, Net	---	1,804	126	5,568	154,397	11,824	1,766	175,485
Interest Receivable	---	26	9	104	105	85	82	411
Due from Other Funds	---	---	---	---	---	299	---	299
Inventories	26	44	3	1	3,532	---	170	3,776
Loans Receivable	---	---	226	---	2,949	---	---	3,175
Total Assets	<u>\$ 51,361</u>	<u>\$ 26,075</u>	<u>\$ 10,537</u>	<u>\$ 99,918</u>	<u>\$ 228,675</u>	<u>\$ 77,255</u>	<u>\$ 51,528</u>	<u>\$ 545,349</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ 810	\$ 1,969	\$ 151	\$ 29,703	\$ 3,330	\$ 2,362	\$ 3,636	\$ 41,961
Accrued Payroll	207	369	254	323	6,312	418	2,147	10,030
Due to Other Funds	24	33	33	12	603	111	156	972
Securities Lending Obligation	1,830	863	227	3,314	2,601	2,318	1,760	12,913
Deferred Revenue	---	33	5	111	7,817	1,584	206	9,756
Total Liabilities	<u>2,871</u>	<u>3,267</u>	<u>670</u>	<u>33,463</u>	<u>20,663</u>	<u>6,793</u>	<u>7,905</u>	<u>75,632</u>
Fund Balances:								
Nonspendable	26	44	229	1	6,481	---	170	6,951
Restricted	---	19,732	3,988	47,766	37,048	70,462	33,349	212,345
Committed	12,364	136	518	16,877	1,286	---	4	31,185
Assigned	36,100	2,896	5,132	1,811	163,197	---	10,100	219,236
Total Fund Balances	<u>48,490</u>	<u>22,808</u>	<u>9,867</u>	<u>66,455</u>	<u>208,012</u>	<u>70,462</u>	<u>43,623</u>	<u>469,717</u>
Total Liabilities and Fund Balances	<u>\$ 51,361</u>	<u>\$ 26,075</u>	<u>\$ 10,537</u>	<u>\$ 99,918</u>	<u>\$ 228,675</u>	<u>\$ 77,255</u>	<u>\$ 51,528</u>	<u>\$ 545,349</u>



**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Transportation and Law Enforcement	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2011
<b>Revenues:</b>								
Taxes	\$ 137	\$ ---	\$ 2,863	\$ 61,100	\$ 739,217	\$ 63,227	\$ 64	\$ 866,608
Licenses, Fees, and Permits	17,333	38,594	8,328	20,491	183,685	---	107,697	376,128
Sales	---	---	8	782	---	---	501	1,291
Leases and Rentals	---	---	---	153	---	---	---	153
Services	---	112	---	---	---	---	5	117
Contributions and Intergovernmental	---	592	20	223,684	16	299	50	224,661
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	(100)	(40)	(95)	(152)	(90)	(117)	(113)	(707)
Interest	---	86	14	502	589	324	363	1,878
Penalties and Unclaimed Properties	415	869	---	73	369	5,473	274	7,473
Cost Reimbursement/ Miscellaneous	135	1,522	141	34,317	1,496	214	19,826	57,651
Total Revenues	<u>17,920</u>	<u>41,735</u>	<u>11,279</u>	<u>340,950</u>	<u>925,282</u>	<u>69,420</u>	<u>128,667</u>	<u>1,535,253</u>
<b>Expenditures:</b>								
Current:								
General Government	173	15,394	64	1,919	198,722	5,310	7,168	228,750
Education	52	---	6	1,468	---	12	5	1,543
Natural and Economic Resources	16,524	355	7,723	4,845	---	53,845	80,036	163,328
Transportation and Law Enforcement	---	23,437	3	4,430	221,096	6	23,918	272,890
Human Services	2	---	30	443,849	3	62	3,218	447,164
Debt Service:								
Principal	---	30	---	---	44	168	623	865
Interest	---	4	---	---	8	52	93	157
Total Expenditures	<u>16,751</u>	<u>39,220</u>	<u>7,826</u>	<u>456,511</u>	<u>419,873</u>	<u>59,455</u>	<u>115,061</u>	<u>1,114,697</u>
Excess Revenues (Expenditures)	<u>1,169</u>	<u>2,515</u>	<u>3,453</u>	<u>(115,561)</u>	<u>505,409</u>	<u>9,965</u>	<u>13,606</u>	<u>420,556</u>
<b>Other Financing Sources (Uses):</b>								
Proceeds from Sale of Capital Assets	2	19	---	1	4,899	1	29	4,951
Transfers In	33	1,285	---	134,648	---	---	22,589	158,555
Transfers Out	(754)	(752)	---	(8,793)	(515,421)	(50)	(47,266)	(573,036)
Total Other Financing Sources (Uses)	<u>(719)</u>	<u>552</u>	<u>---</u>	<u>125,856</u>	<u>(510,522)</u>	<u>(49)</u>	<u>(24,648)</u>	<u>(409,530)</u>
Net Change in Fund Balances	450	3,067	3,453	10,295	(5,113)	9,916	(11,042)	11,026
Fund Balances – Beginning	48,040	19,753	6,418	56,159	213,990	60,546	54,683	459,589
Increase (Decrease) in Reserve for Inventory	---	(12)	(4)	1	(865)	---	(18)	(898)
Fund Balances – Ending	<u>\$ 48,490</u>	<u>\$ 22,808</u>	<u>\$ 9,867</u>	<u>\$ 66,455</u>	<u>\$ 208,012</u>	<u>\$ 70,462</u>	<u>\$ 43,623</u>	<u>\$ 469,717</u>

STATE OF MISSOURI  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
NON-MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)

	Professional Registration			Judicial Protection and Assistance*			Agriculture and State Fair*			Social Assistance*		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>												
Taxes:												
Sales and Use	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Cigarette	---	---	---	---	---	---	---	---	---	37,747	36,720	(1,027)
Fuel	---	---	---	---	---	---	---	---	---	---	---	---
County Foreign Insurance	---	---	---	---	---	---	---	---	---	---	---	---
Liquor/Wine	---	---	---	---	---	---	2,852	2,863	11	---	---	---
Reimbursement/Miscellaneous	129	137	8	1	1	---	---	---	---	45,663	44,421	(1,242)
Total Taxes	129	137	8	1	1	---	2,852	2,863	11	83,410	81,141	(2,269)
Licenses, Fees, and Permits	16,432	17,347	915	41,764	38,359	(3,405)	8,307	8,338	31	21,156	20,580	(576)
Leases and Rentals	---	---	---	---	---	---	---	---	---	157	153	(4)
Sales	---	---	---	---	---	---	8	9	1	804	782	(22)
Services	---	---	---	122	112	(10)	---	---	---	---	---	---
Contributions and												
Intergovernmental	1	1	---	2,307	2,119	(188)	20	20	---	237,722	231,253	(6,469)
Interest	---	---	---	95	87	(8)	15	15	---	527	512	(15)
Penalties and Unclaimed Property	393	415	22	1,230	1,129	(101)	---	---	---	63	61	(2)
Cost Reimbursement/												
Miscellaneous	127	134	7	1,720	1,580	(140)	226	227	1	44,196	42,994	(1,202)
Total Revenues	17,082	18,034	952	47,239	43,387	(3,852)	11,428	11,472	44	388,035	377,476	(10,559)
<b>Expenditures:</b>												
Current:												
General Government	22	6	16	17,803	13,816	3,987	112	62	50	5,443	3,768	1,675
Education	52	52	---	---	---	---	---	---	---	2,793	1,609	1,184
Natural and Economic Resources	10,088	7,703	2,385	540	354	186	8,451	6,074	2,377	6,950	4,984	1,966
Transportation and Law												
Enforcement	---	---	---	30,018	23,729	6,289	---	---	---	6,376	4,000	2,376
Human Services	---	---	---	---	---	---	---	---	---	421,616	345,818	75,798
Debt Service	---	---	---	10	8	2	---	---	---	---	---	---
Total Expenditures	10,162	7,761	2,401	48,371	37,907	10,464	8,563	6,136	2,427	443,178	360,179	82,999
Excess Revenues												
(Expenditures)	6,920	10,273	3,353	(1,132)	5,480	6,612	2,865	5,336	2,471	(55,143)	17,297	72,440
<b>Other Financing Sources (Uses):</b>												
Transfers In	5	35	30	1,526	1,444	(82)	7	7	---	221,549	136,162	(85,387)
Transfers Out	(19,988)	(9,215)	(10,773)	(6,313)	(2,928)	3,385	(2,214)	(1,675)	539	(232,279)	(145,446)	86,833
Total Other Financing												
Sources (Uses)	(19,983)	(9,180)	(10,743)	(4,787)	(1,484)	3,303	(2,207)	(1,668)	539	(10,730)	(9,284)	1,446
Net Change in Fund Balances	(13,063)	1,093	(7,390)	(5,919)	3,996	9,915	658	3,668	3,010	(65,873)	8,013	73,886
Fund Balances – Beginning	48,412	48,412	---	19,342	19,342	---	2,671	2,671	---	82,729	82,729	---
Fund Balances – Ending	\$ 35,349	\$ 49,505	\$ (7,390)	\$ 13,423	\$ 23,338	\$ 9,915	\$ 3,329	\$ 6,339	\$ 3,010	\$ 16,856	\$ 90,742	\$ 73,886
<b>Reconciling Items:</b>												
Reclassifying Cash Equivalents as Investments		(33,477)			(15,781)			(4,240)			(60,644)	
Investments at Fair Value		33,477			15,781			7,847			60,833	
Invested Securities Lending Collateral		1,830			863			227			3,314	
Receivables, net		---			1,830			361			5,672	
Due from Other Funds		---			---			---			---	
Inventories		26			44			3			1	
Accounts Payable		(810)			(1,969)			(151)			(29,703)	
Accrued Payroll		(207)			(369)			(254)			(323)	
Due to Other Funds		(24)			(33)			(33)			(12)	
Securities Lending Obligation		(1,830)			(863)			(227)			(3,314)	
Deferred Revenue		---			(33)			(5)			(111)	
Fund Balance per GAAP		\$ 48,490			\$ 22,808			\$ 9,867			\$ 66,455	

\*Beginning fund balance was restated due to the implementation of GASB Statement No. 54.

	Transportation and Law Enforcement*			Unemployment and Workers' Compensation			Reimbursements and Other*			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>												
Taxes:												
Sales and Use	\$ 61,079	\$ 59,460	\$ (1,619)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 61,079	\$ 59,460	\$ (1,619)
Cigarette	---	---	---	---	---	---	---	---	---	37,747	36,720	(1,027)
Fuel	739,631	720,026	(19,605)	---	---	---	---	---	---	739,631	720,026	(19,605)
County Foreign Insurance	---	---	---	---	---	---	66	64	(2)	66	64	(2)
Liquor/Wine	---	---	---	---	---	---	---	---	---	2,852	2,863	11
Reimbursement/Miscellaneous	3,521	3,427	(94)	60,510	62,214	1,704	18	18	---	109,842	110,218	376
Total Taxes	804,231	782,913	(21,318)	60,510	62,214	1,704	84	82	(2)	951,217	929,351	(21,866)
Licenses, Fees and Permits	195,341	190,163	(5,178)	---	---	---	111,453	108,073	(3,380)	394,453	382,860	(11,593)
Leases and Rentals	---	---	---	---	---	---	---	---	---	157	153	(4)
Sales	4,939	4,808	(131)	---	---	---	583	565	(18)	6,334	6,164	(170)
Services	---	---	---	---	---	---	5	5	---	127	117	(10)
Contributions and Intergovernmental	636	619	(17)	1,087	1,118	31	76	74	(2)	241,849	235,204	(6,645)
Interest	622	606	(16)	325	334	9	395	383	(12)	1,979	1,937	(42)
Penalties and Unclaimed Property	486	474	(12)	5,105	5,249	144	282	273	(9)	7,559	7,601	42
Cost Reimbursement/ Miscellaneous	2,631	2,561	(70)	336	345	9	20,825	20,193	(632)	70,061	68,034	(2,027)
Total Revenues	1,008,886	982,144	(26,742)	67,363	69,260	1,897	133,703	129,648	(4,055)	1,673,736	1,631,421	(42,315)
<b>Expenditures:</b>												
Current:												
General Government	215,986	210,512	5,474	16,887	6,015	10,872	11,289	5,790	5,499	267,542	239,969	27,573
Education	---	---	---	---	---	---	---	---	---	2,845	1,661	1,184
Natural and Economic Resources	---	---	---	63,364	49,804	13,560	77,406	66,985	10,421	166,799	135,904	30,895
Transportation and Law Enforcement	280,080	246,064	34,016	---	---	---	24,399	21,159	3,240	340,873	294,952	45,921
Human Services	---	---	---	---	---	---	4,030	2,559	1,471	425,646	348,377	77,269
Debt Service	---	---	---	59	21	38	96	49	47	165	78	87
Total Expenditures	496,066	456,576	39,490	80,310	55,840	24,470	117,220	96,542	20,678	1,203,870	1,020,941	182,929
Excess Revenues (Expenditures)	512,820	525,568	12,748	(12,947)	13,420	26,367	16,483	33,106	16,623	469,866	610,480	140,614
<b>Other Financing Sources (Uses):</b>												
Transfers In	563,974	541,102	(22,872)	---	1	1	23,924	23,277	(647)	810,985	702,028	(108,957)
Transfers Out	(1,102,086)	(1,063,924)	38,162	(8,786)	(7,238)	1,548	(78,761)	(66,875)	11,886	(1,450,427)	(1,297,301)	153,126
Total Other Financing Sources (Uses)	(538,112)	(522,822)	15,290	(8,786)	(7,237)	1,549	(54,837)	(43,598)	11,239	(639,442)	(595,273)	44,169
Net Change in Fund Balances	(25,292)	2,746	28,038	(21,733)	6,183	27,916	(38,354)	(10,492)	27,862	(169,576)	15,207	184,783
Fund Balances – Beginning	62,165	62,165	---	56,546	56,546	---	58,242	58,242	---	330,107	330,107	---
Fund Balances – Ending	\$ 36,873	\$ 64,911	\$ 28,038	\$ 34,813	\$ 62,729	\$ 27,916	\$ 19,888	\$ 47,750	\$ 27,862	\$ 160,531	\$ 345,314	\$ 184,783
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(35,056)			(42,420)			(32,209)			(223,827)	
Investments at Fair Value		35,236			42,420			32,209			227,803	
Invested Securities Lending Collateral		2,601			2,318			1,760			12,913	
Receivables, net		157,451			11,909			1,848			179,071	
Due from Other Funds		---			299			---			299	
Inventories		3,532			---			170			3,776	
Accounts Payable		(3,330)			(2,362)			(3,636)			(41,961)	
Accrued Payroll		(6,312)			(418)			(2,147)			(10,030)	
Due to Other Funds		(603)			(111)			(156)			(972)	
Securities Lending Obligation		(2,601)			(2,318)			(1,760)			(12,913)	
Deferred Revenue		(7,817)			(1,584)			(206)			(9,756)	
Fund Balance per GAAP		\$ 208,012			\$ 70,462			\$ 43,623			\$ 469,717	

\*Beginning fund balance was restated due to the implementation of GASB Statement No. 54.



*The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.*

## **Debt Service Funds:**

**Water Pollution Control Bond and Interest** – Accounts for moneys used to pay the principal of the Water Pollution Control Bonds and the interest thereon.

**Third State Building Bond Interest and Sinking** – Accounts for moneys used to pay the principal of the Third State Building Bonds and the interest thereon.

**Fourth State Building Bond and Interest** – Accounts for moneys used to pay the principal of the Fourth State Building Bonds and the interest thereon.

**Stormwater Control Bond and Interest** – Accounts for moneys used to pay the principal of the Stormwater Control Bonds and the interest thereon.

**Missouri Road Bond** – Accounts for moneys used to pay bonds issued by the Highway and Transportation Commission.

**STATE OF MISSOURI  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
June 30, 2011  
(In Thousands of Dollars)**

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Missouri Road Bond	Totals June 30, 2011
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 10,972	\$ 1,272	\$ 3,849	\$ 876	\$ 7,772	\$ 24,741
Investments	38,755	4,493	13,595	3,093	19,115	79,051
Invested Securities Lending Collateral	515	60	181	41	2,194	2,991
Accounts Receivable, Net	---	---	---	---	8,146	8,146
Interest Receivable	39	6	14	3	32	94
Total Assets	<u>\$ 50,281</u>	<u>\$ 5,831</u>	<u>\$ 17,639</u>	<u>\$ 4,013</u>	<u>\$ 37,259</u>	<u>\$ 115,023</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ ---	\$ ---	\$ ---	\$ ---	\$ 25	\$ 25
Securities Lending Obligation	515	60	181	41	2,194	2,991
Deferred Revenue	30	5	11	3	---	49
Total Liabilities	<u>545</u>	<u>65</u>	<u>192</u>	<u>44</u>	<u>2,219</u>	<u>3,065</u>
Fund Balances:						
Restricted	<u>49,736</u>	<u>5,766</u>	<u>17,447</u>	<u>3,969</u>	<u>35,040</u>	<u>111,958</u>
Total Fund Balances	<u>49,736</u>	<u>5,766</u>	<u>17,447</u>	<u>3,969</u>	<u>35,040</u>	<u>111,958</u>
Total Liabilities and Fund Balances	<u>\$ 50,281</u>	<u>\$ 5,831</u>	<u>\$ 17,639</u>	<u>\$ 4,013</u>	<u>\$ 37,259</u>	<u>\$ 115,023</u>

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Missouri Road Bond	Totals June 30, 2011
<b>Revenues:</b>						
Taxes	\$ ---	\$ ---	\$ ---	\$ ---	\$ 100,535	\$ 100,535
Contributions and Intergovernmental	---	---	---	---	5,338	5,338
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(35)	(32)	(18)	(3)	27	(61)
Interest	362	152	144	32	238	928
Total Revenues	327	120	126	29	106,138	106,740
<b>Expenditures:</b>						
Debt Service:						
Principal	---	32,115	---	---	29,625	61,740
Interest	12,299	1,298	8,026	1,488	68,127	91,238
Bond Issuance Costs	176	---	17	37	166	396
Underwriter's Discount	106	---	12	20	---	138
Total Expenditures	12,581	33,413	8,055	1,545	97,918	153,512
Excess Revenues (Expenditures)	(12,254)	(33,293)	(7,929)	(1,516)	8,220	(46,772)
<b>Other Financing Sources (Uses):</b>						
Issuance of Refunding Bonds	81,450	---	9,060	15,150	---	105,660
Payments to Refunded Bonds Escrow Agent	(96,152)	---	(10,698)	(17,880)	---	(124,730)
Bond Premium	14,984	---	1,667	2,787	---	19,438
Transfers In	23,986	4,901	6,600	2,045	---	37,532
Total Other Financing Sources (Uses)	24,268	4,901	6,629	2,102	---	37,900
Net Change in Fund Balances	12,014	(28,392)	(1,300)	586	8,220	(8,872)
Fund Balances – Beginning	37,722	34,158	18,747	3,383	26,820	120,830
Fund Balances – Ending	\$ 49,736	\$ 5,766	\$ 17,447	\$ 3,969	\$ 35,040	\$ 111,958

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-122- This schedule is continued on page 123.

This schedule is continued from page 122. -123-

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*The **Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities.*

### **Non-Major Capital Projects Funds:**

**Veterans' Homes Capital Improvement** – Accounts for fees collected from the sale of bingo cards to be used for the construction or renovation of veterans' homes and cemeteries in the State.

**Water Pollution Control** – Accounts for bond sale proceeds to be used for the protection of the environment through the control of water pollution.

STATE OF MISSOURI  
COMBINING BALANCE SHEET  
NON-MAJOR CAPITAL PROJECTS FUNDS  
June 30, 2011  
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Totals  June 30, 2011
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,244	\$ 570	\$ 6,814
Investments	13,040	2,012	15,052
Invested Securities Lending Collateral	713	27	740
Interest Receivable	33	3	36
Total Assets	<u>\$ 20,030</u>	<u>\$ 2,612</u>	<u>\$ 22,642</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 50	\$ ---	\$ 50
Accrued Payroll	63	---	63
Due to Other Funds	6	---	6
Securities Lending Obligation	713	27	740
Deferred Revenue	25	2	27
Total Liabilities	<u>857</u>	<u>29</u>	<u>886</u>
Fund Balances:			
Restricted	<u>19,173</u>	<u>2,583</u>	<u>21,756</u>
Total Fund Balances	<u>19,173</u>	<u>2,583</u>	<u>21,756</u>
Total Liabilities and Fund Balances	<u>\$ 20,030</u>	<u>\$ 2,612</u>	<u>\$ 22,642</u>

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Veterans' Homes Capital Improvement	Water Pollution Control	Totals  June 30, 2011
<b>Revenues:</b>			
Contributions and Intergovernmental	\$ 2,613	\$ ---	\$ 2,613
Investment Earnings:			
Net Increase (Decrease) in the Fair Value of Investments	(36)	(16)	(52)
Interest	124	74	198
Cost Reimbursement/Miscellaneous	15	133	148
<b>Total Revenues</b>	<b>2,716</b>	<b>191</b>	<b>2,907</b>
<b>Expenditures:</b>			
Current:			
General Government	60	---	60
Natural and Economic Resources	---	14,761	14,761
Transportation and Law Enforcement	4,004	---	4,004
Human Services	1	---	1
Capital Outlay:			
General Government	1	---	1
Transportation and Law Enforcement	3,313	---	3,313
<b>Total Expenditures</b>	<b>7,379</b>	<b>14,761</b>	<b>22,140</b>
<b>Excess Revenues (Expenditures)</b>	<b>(4,663)</b>	<b>(14,570)</b>	<b>(19,233)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Capital Assets	1	---	1
Transfers In	6,600	---	6,600
<b>Total Other Financing Sources (Uses)</b>	<b>6,601</b>	<b>---</b>	<b>6,601</b>
<b>Net Change in Fund Balances</b>	<b>1,938</b>	<b>(14,570)</b>	<b>(12,632)</b>
<b>Fund Balances – Beginning</b>	<b>17,235</b>	<b>17,153</b>	<b>34,388</b>
<b>Fund Balances – Ending</b>	<b>\$ 19,173</b>	<b>\$ 2,583</b>	<b>\$ 21,756</b>



*The **Permanent Funds** account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.*

### **Permanent Funds:**

**Arrow Rock State Historic Site Endowment** – Accounts for moneys transferred from the State Parks Earnings Fund, as well as other moneys or property received by grant, gift, donation, or bequest specified for the enhancement of the Arrow Rock State Historic Site.

**Confederate Memorial Park** – Accounts for the income from investments acquired by gifts, donations, and bequests to be used for the maintenance of the Confederate Memorial Park.

**State Public School** – Accounts for all moneys, bonds, lands, and other properties belonging to or donated to the State for public school use in establishing and maintaining free public schools.

**Smith Memorial Endowment Trust** – Accounts for moneys bequeathed for the use and benefit of the Crippled Children's Service.

**STATE OF MISSOURI  
COMBINING BALANCE SHEET  
PERMANENT FUNDS  
June 30, 2011  
(In Thousands of Dollars)**

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Totals June 30, 2011
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 9	\$ 62	\$ ---	\$ 119	\$ 190
Investments	19	128	39,282	249	39,678
Invested Securities Lending Collateral	1	7	---	14	22
Interest Receivable	---	---	---	1	1
Total Assets	<u>\$ 29</u>	<u>\$ 197</u>	<u>\$ 39,282</u>	<u>\$ 383</u>	<u>\$ 39,891</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Securities Lending Obligation	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ ---</u>	<u>\$ 14</u>	<u>\$ 22</u>
Total Liabilities	<u>1</u>	<u>7</u>	<u>---</u>	<u>14</u>	<u>22</u>
Fund Balances:					
Nonspendable	28	75	39,282	365	39,750
Assigned	<u>---</u>	<u>115</u>	<u>---</u>	<u>4</u>	<u>119</u>
Total Fund Balances	<u>28</u>	<u>190</u>	<u>39,282</u>	<u>369</u>	<u>39,869</u>
Total Liabilities and Fund Balances	<u>\$ 29</u>	<u>\$ 197</u>	<u>\$ 39,282</u>	<u>\$ 383</u>	<u>\$ 39,891</u>

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**PERMANENT FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Totals June 30, 2011
<b>Revenues:</b>					
Investment Earnings:					
Net Increase (Decrease) in the					
Fair Value of Investments	\$ ---	\$ ---	\$ (154)	\$ (1)	\$ (155)
Interest	---	1	9	2	12
Penalties and Unclaimed					
Properties	---	---	1,874	---	1,874
Miscellaneous	---	17	---	---	17
	<u>---</u>	<u>17</u>	<u>---</u>	<u>---</u>	<u>17</u>
Total Revenues	<u>---</u>	<u>18</u>	<u>1,729</u>	<u>1</u>	<u>1,748</u>
Net Change in Fund Balances	---	18	1,729	1	1,748
Fund Balances – Beginning	<u>28</u>	<u>172</u>	<u>37,553</u>	<u>368</u>	<u>38,121</u>
Fund Balances – Ending	<u>\$ 28</u>	<u>\$ 190</u>	<u>\$ 39,282</u>	<u>\$ 369</u>	<u>\$ 39,869</u>

NOTE: There were no expenditures for the fiscal year ended June 30, 2011.



STATE OF MISSOURI  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL APPROPRIATED PERMANENT FUNDS  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment			Confederate Memorial Park			State Public School*			Smith Memorial Endowment Trust		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
<b>Revenues:</b>												
Interest	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1	\$ 1	\$ ---	\$ 9	\$ 9	\$ 5	\$ 3	\$ (2)
Penalties and Unclaimed Property	---	---	---	---	---	---	---	81	81	---	---	---
Reimbursement/Miscellaneous	---	---	---	1	18	17	---	529	529	---	---	---
Total Revenues	---	---	---	1	19	18	---	619	619	5	3	(2)
<b>Expenditures:</b>												
Current:												
Human Services	---	---	---	---	---	---	---	---	---	35	---	35
Total Expenditures	---	---	---	---	---	---	---	---	---	35	---	35
Excess Revenues (Expenditures)	---	---	---	1	19	18	---	619	619	(30)	3	33
<b>Other Financing Sources (Uses):</b>												
Transfers In	---	---	---	---	---	---	---	1,793	1,793	---	---	---
Transfers Out	---	---	---	---	---	---	3	---	(3)	---	---	---
Total Other Financing Sources (Uses)	---	---	---	---	---	---	3	1,793	1,790	---	---	---
Net Change in Fund Balances	---	---	---	1	19	18	3	2,412	2,409	(30)	3	33
Fund Balances – Beginning	28	28	---	171	171	---	21,884	21,884	---	366	366	---
Fund Balances – Ending	<u>\$ 28</u>	<u>\$ 28</u>	<u>\$ ---</u>	<u>\$ 172</u>	<u>\$ 190</u>	<u>\$ 18</u>	<u>\$ 21,887</u>	<u>\$ 24,296</u>	<u>\$ 2,409</u>	<u>\$ 336</u>	<u>\$ 369</u>	<u>\$ 33</u>
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(19)			(128)			(24,296)			(250)	
Investments at Fair Value		19			128			39,282			249	
Invested Securities Lending Collateral		1			7			---			14	
Interest Receivable		---			---			---			1	
Securities Lending Obligation		(1)			(7)			---			(14)	
Fund Balance – GAAP Basis	<u>\$ 28</u>			<u>\$ 190</u>			<u>\$ 39,282</u>			<u>\$ 369</u>		

\*Beginning fund balance was restated due to a prior year correction.

	Totals		
	Budget	Actual	Variance
<b>Revenues:</b>			
Interest	\$ 5	\$ 13	\$ 8
Penalties and Unclaimed Property	---	81	81
Reimbursement/Miscellaneous	1	547	546
Total Revenues	6	641	635
<b>Expenditures:</b>			
Current:			
Human Services	35	---	35
Total Expenditures	35	---	35
Excess Revenues (Expenditures)	(29)	641	670
<b>Other Financing Sources (Uses):</b>			
Transfers In	---	1,793	1,793
Transfers Out	3	---	(3)
Total Other Financing Sources (Uses)	3	1,793	1,790
Net Change in Fund Balances	(26)	2,434	2,460
Fund Balances – Beginning	22,449	22,449	---
Fund Balances – Ending	\$ 22,423	\$ 24,883	\$ 2,460
Reconciling Items:			
Reclassifying Cash Equivalents as Investments		(24,693)	
Investments at Fair Value		39,678	
Invested Securities Lending Collateral		22	
Interest Receivable		1	
Securities Lending Obligation		(22)	
Fund Balance – GAAP Basis		\$ 39,869	

This schedule is continued from page 129.



*The **Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises.*

### **Non-Major Enterprise Funds:**

**State Fair Fees** – Accounts for the fairground admission fees used to improve the grounds and to pay the operating costs of the State Fair.

**State Parks** – Accounts for park concessions and contributions which are used to acquire and operate state parks.

**Natural Resources Revolving Services** – Accounts for moneys received from the delivery of services and the sale or resale of maps, plats, reports, studies, records, and other publications and documents.

**Historic Preservation Revolving** – Accounts for gifts, grants, and contributions used to acquire, preserve, restore, maintain, or operate any historical properties.

**Missouri Veterans' Homes** – Accounts for fees to provide services for persons confined to one of the veterans' homes.

**State Agency for Surplus Property** – Accounts for the surplus property operation.

**Department of Revenue Information** – Accounts for fees received by the Department of Revenue for publications and used to pay the costs of providing this information.

STATE OF MISSOURI  
COMBINING STATEMENT OF NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
June 30, 2011  
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals  June 30, 2011
<b>ASSETS</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 105	\$ 9,576	\$ 162	\$ 565	\$ 956	\$ 1,006	\$ 321	\$ 12,691
Investments	219	19,996	339	1,179	2,002	2,102	639	26,476
Invested Securities Lending Collateral	12	1,093	19	65	109	115	35	1,448
Accounts Receivable, Net	---	335	1	---	125	63	79	603
Interest Receivable	---	---	---	3	10	5	---	18
Due from Other Funds	4	2	58	---	---	---	---	64
Inventories	1	644	481	---	382	---	62	1,570
Loans Receivable	---	---	---	632	---	---	---	632
Total Current Assets	<u>341</u>	<u>31,646</u>	<u>1,060</u>	<u>2,444</u>	<u>3,584</u>	<u>3,291</u>	<u>1,136</u>	<u>43,502</u>
Non-Current Assets:								
Capital Assets:								
Construction in Progress	---	7,014	---	---	78	---	---	7,092
Land	---	8,998	---	---	---	---	---	8,998
Land Improvements	75	8,444	---	---	102	191	---	8,812
Temporary Easements	---	50	---	---	---	---	---	50
Buildings	3	23,250	---	480	198	1,909	---	25,840
Equipment	391	12,540	17,400	32	6,859	1,364	204	38,790
Software	---	---	---	---	6	---	---	6
Less Accumulated Depreciation/Amortization	(405)	(25,299)	(11,989)	(182)	(3,127)	(1,438)	(181)	(42,621)
Total Non-Current Assets	<u>64</u>	<u>34,997</u>	<u>5,411</u>	<u>330</u>	<u>4,116</u>	<u>2,026</u>	<u>23</u>	<u>46,967</u>
Total Assets	<u>405</u>	<u>66,643</u>	<u>6,471</u>	<u>2,774</u>	<u>7,700</u>	<u>5,317</u>	<u>1,159</u>	<u>90,469</u>
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts Payable	24	164	104	2	501	400	23	1,218
Accrued Payroll	19	147	---	7	1,764	25	---	1,962
Due to Other Funds	43	40	12	---	3	5	---	103
Securities Lending Obligation	12	1,093	19	65	109	115	35	1,448
Obligations Under Lease Purchase	---	---	38	---	---	---	---	38
Compensated Absences	2	438	---	12	2,293	36	---	2,781
Total Current Liabilities	<u>100</u>	<u>1,882</u>	<u>173</u>	<u>86</u>	<u>4,670</u>	<u>581</u>	<u>58</u>	<u>7,550</u>
Non-Current Liabilities:								
Obligations Under Lease Purchase	---	---	28	---	---	---	---	28
Compensated Absences	---	---	---	3	---	---	---	3
Total Non-Current Liabilities	<u>---</u>	<u>---</u>	<u>28</u>	<u>3</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>31</u>
Total Liabilities	<u>100</u>	<u>1,882</u>	<u>201</u>	<u>89</u>	<u>4,670</u>	<u>581</u>	<u>58</u>	<u>7,581</u>
<b>NET ASSETS</b>								
Invested in Capital Assets, Net of Related Debt	64	34,997	5,345	330	4,116	2,026	23	46,901
Unrestricted	241	29,764	925	2,355	(1,086)	2,710	1,078	35,987
Total Net Assets	<u>\$ 305</u>	<u>\$ 64,761</u>	<u>\$ 6,270</u>	<u>\$ 2,685</u>	<u>\$ 3,030</u>	<u>\$ 4,736</u>	<u>\$ 1,101</u>	<u>\$ 82,888</u>

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals  June 30, 2011
<b>Operating Revenues:</b>								
Licenses, Fees, and Permits	\$ 2,430	\$ 5,582	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 8,012
Sales	---	762	87	---	213	2,026	1,356	4,444
Leases and Rentals	1,165	2,129	---	---	---	---	---	3,294
Charges for Services	---	---	---	---	25,737	---	---	25,737
Cost Reimbursement/Miscellaneous	---	1,218	17	---	---	309	1	1,545
Total Operating Revenues	<u>3,595</u>	<u>9,691</u>	<u>104</u>	<u>---</u>	<u>25,950</u>	<u>2,335</u>	<u>1,357</u>	<u>43,032</u>
<b>Operating Expenses:</b>								
Cost of Goods Sold	---	---	737	---	---	872	---	1,609
Personal Service	943	7,265	79	232	57,397	877	638	67,431
Operations	2,495	1,138	230	44	7,817	453	475	12,652
Inventories	23	---	26	3	9,379	5	56	9,492
Specific Programs	44	6	---	221	821	2	---	1,094
Depreciation/Amortization	18	1,623	1,107	10	507	285	12	3,562
Other Charges	<u>171</u>	<u>165</u>	<u>2</u>	<u>---</u>	<u>72</u>	<u>3</u>	<u>19</u>	<u>432</u>
Total Operating Expenses	<u>3,694</u>	<u>10,197</u>	<u>2,181</u>	<u>510</u>	<u>75,993</u>	<u>2,497</u>	<u>1,200</u>	<u>96,272</u>
Operating Income (Loss)	<u>(99)</u>	<u>(506)</u>	<u>(2,077)</u>	<u>(510)</u>	<u>(50,043)</u>	<u>(162)</u>	<u>157</u>	<u>(53,240)</u>
<b>Non-Operating Revenues (Expenses):</b>								
Contributions and Intergovernmental	120	1,213	1,515	---	45,565	22	---	48,435
Interest Expense	---	---	(3)	---	---	---	---	(3)
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	(1)	(67)	(1)	(5)	(18)	(5)	(2)	(99)
Interest	3	6	---	18	52	20	---	99
Penalties and Unclaimed Properties	---	2	---	---	---	---	---	2
Disposal of Capital Assets	<u>---</u>	<u>---</u>	<u>100</u>	<u>---</u>	<u>(88)</u>	<u>204</u>	<u>---</u>	<u>216</u>
Total Non-Operating Revenues (Expenses)	<u>122</u>	<u>1,154</u>	<u>1,611</u>	<u>13</u>	<u>45,511</u>	<u>241</u>	<u>(2)</u>	<u>48,650</u>
Income (Loss) Before Transfers	23	648	(466)	(497)	(4,532)	79	155	(4,590)
Transfers Out	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(20)</u>	<u>---</u>	<u>(20)</u>
Change in Net Assets	23	648	(466)	(497)	(4,532)	59	155	(4,610)
Total Net Assets – Beginning	<u>282</u>	<u>64,113</u>	<u>6,736</u>	<u>3,182</u>	<u>7,562</u>	<u>4,677</u>	<u>946</u>	<u>87,498</u>
Total Net Assets – Ending	<u>\$ 305</u>	<u>\$ 64,761</u>	<u>\$ 6,270</u>	<u>\$ 2,685</u>	<u>\$ 3,030</u>	<u>\$ 4,736</u>	<u>\$ 1,101</u>	<u>\$ 82,888</u>

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals  June 30, 2011
<b>Cash Flows from Operating Activities:</b>								
Receipts from Internal Customers and Users	\$ 94	\$ ---	\$ ---	\$ ---	\$ ---	\$ 461	\$ 1,378	\$ 1,933
Receipts from External Customers and Users	3,501	8,234	86	---	26,002	1,680	---	39,503
Payments to Suppliers	(2,512)	(1,238)	(925)	(59)	(17,422)	(1,024)	(581)	(23,761)
Payments to Employees	(1,070)	(7,023)	(90)	(233)	(57,079)	(891)	(693)	(67,079)
Payments Made for Program Expense	(44)	(6)	---	(221)	(821)	(2)	---	(1,094)
Other Receipts (Payments)	(171)	1,053	15	---	(72)	306	(18)	1,113
Net Cash Provided (Used) by Operating Activities	(202)	1,020	(914)	(513)	(49,392)	530	86	(49,385)
<b>Cash Flows from Non-Capital Financing Activities:</b>								
Due to/from Other Funds	4	6	96	(1)	(38)	4	(13)	58
Contributions and Intergovernmental	120	1,213	1,515	---	45,565	22	---	48,435
Transfers to/from Other Funds	---	---	---	---	---	(20)	---	(20)
Net Cash Provided (Used) by Non-Capital Financing Activities	124	1,219	1,611	(1)	45,527	6	(13)	48,473
<b>Cash Flows from Capital and Related Financing Activities:</b>								
Interest Expense	---	---	(3)	---	---	---	---	(3)
Purchases and Construction of Capital Assets	---	(5,148)	(685)	---	(2,042)	---	---	(7,875)
Capital Lease Downpayment/Obligations	---	---	(50)	---	---	---	---	(50)
Disposal of Capital Assets	---	---	---	---	---	183	---	183
Net Cash Provided (Used) by Capital and Related Financing Activities	---	(5,148)	(738)	---	(2,042)	183	---	(7,745)
<b>Cash Flows from Investing Activities:</b>								
Proceeds from Investment Maturities	99	5,891	93	606	5,046	---	70	11,805
Purchase of Investments	---	---	---	---	---	(212)	---	(212)
Interest and Dividends Received	3	6	---	18	57	18	---	102
Penalties and Other Receipts	---	2	---	---	---	---	---	2
Net Cash Provided (Used) by Investing Activities	102	5,899	93	624	5,103	(194)	70	11,697
Net Increase (Decrease) in Cash	24	2,990	52	110	(804)	525	143	3,040
Cash and Cash Equivalents, Beginning of Year	81	6,586	110	455	1,760	481	178	9,651
Cash and Cash Equivalents, End of Year	<u>\$ 105</u>	<u>\$ 9,576</u>	<u>\$ 162</u>	<u>\$ 565</u>	<u>\$ 956</u>	<u>\$ 1,006</u>	<u>\$ 321</u>	<u>\$ 12,691</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>								
Operating Income (Loss)	\$ (99)	\$ (506)	\$ (2,077)	\$ (510)	\$ (50,043)	\$ (162)	\$ 157	\$ (53,240)
Depreciation/Amortization Expense	18	1,623	1,107	10	507	285	12	3,562
Changes in Assets and Liabilities:								
Accounts Receivable	---	(239)	(1)	---	52	115	22	(51)
Inventories	---	(98)	10	---	(5)	---	(62)	(155)
Accounts Payable	6	(2)	58	(12)	(221)	306	12	147
Accrued Payroll	(33)	53	(3)	---	114	(4)	(18)	109
Compensated Absences	(94)	189	(8)	(1)	204	(10)	(37)	243
Net Cash Provided (Used) by Operating Activities	<u>\$ (202)</u>	<u>\$ 1,020</u>	<u>\$ (914)</u>	<u>\$ (513)</u>	<u>\$ (49,392)</u>	<u>\$ 530</u>	<u>\$ 86</u>	<u>\$ (49,385)</u>
<b>Non-Cash Financing and Investing Activities:</b>								
Capital Asset Donations	\$ ---	\$ ---	\$ ---	\$ ---	\$ 125	\$ 22	\$ ---	\$ 147
Increase (Decrease) in Fair Value of Investments	(1)	(67)	(1)	(5)	(18)	(5)	(2)	(99)
Net Non-Cash Financing and Investing Activities	<u>\$ (1)</u>	<u>\$ (67)</u>	<u>\$ (1)</u>	<u>\$ (5)</u>	<u>\$ 107</u>	<u>\$ 17</u>	<u>\$ (2)</u>	<u>\$ 48</u>



*The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the State on a cost-reimbursement basis.*



## **Internal Service Funds:**

**Natural Resources Cost Allocation** – Accounts for the administrative costs of the Department of Natural Resources.

**Mental Health Interagency Payments** – Accounts for moneys received through interagency agreements for services provided by other agencies.

**State Facility Maintenance and Operation** – Accounts for moneys collected from tenants for rent to cover the costs of operations in state-owned office buildings and institutions, charges to tenants in leased space to cover costs of real estate administrative services, and charges to capital improvement projects to cover the costs of project management services.

**Office of Administration Revolving** – Accounts for the following operations: printing services, flight operations, vehicle management, garage services, data processing and telecommunication services, building and grounds, insurance services, postage, and personnel administration.

**Working Capital Revolving** – Accounts for the operation of correctional industry programs and correctional farm programs.

**General Government Revolving** – Accounts for various service operations of the House of Representatives, Supreme Court, Adjutant General, Senate, Treasurer, and Department of Corrections.

**Social Services Administrative Trust** – Accounts for moneys transferred or paid to the Department of Social Services from any governmental entity or the public for goods and services provided.

**Economic Development Administrative** – Accounts for moneys collected for goods and services provided to other divisions and used to pay the cost of providing such services.

**Professional Registration Fees** – Accounts for moneys received from the professional boards for administrative services.

**Conservation Employees' Insurance Plan** – Accounts for health insurance coverage on a self-insured basis and life insurance coverage by a third party provider for Department of Conservation employees.

**Transportation Self-Insurance Plan** – Accounts for highway and highway patrol moneys used to pay workers' compensation claims. Moneys are also used to pay auto claims against the Department of Transportation.

**Missouri State Employees' Insurance Plan** – Accounts for long-term disability and death benefits provided on a self-insured basis for state employees.

**Missouri Consolidated Health Care Plan** – Accounts for medical care benefits provided on a self-insured basis for active state employees.

**MoDOT and MSHP Medical and Life Insurance Plan** – Accounts for the medical coverage provided on a self-insured basis and death benefits provided on an insured basis to Department of Transportation employees and members of the Missouri State Highway Patrol.

STATE OF MISSOURI  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
June 30, 2011  
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	Medical and Life Insurance Plan	Totals  June 30, 2011
<b>ASSETS</b>															
Current Assets:															
Cash and Cash Equivalents	\$ 283	\$ 901	\$ 1,613	\$ 4,451	\$ 4,437	\$ 1,132	\$ 157	\$ 65	\$ 116	\$ 1,118	\$ 9,840	\$ ---	\$ 108,932	\$ 6,993	\$ 140,038
Investments	591	1,882	3,367	11,718	9,268	2,365	329	137	242	4,056	22,903	3,443	34,931	18,782	114,014
Invested Securities Lending Collateral	32	103	184	640	507	129	18	7	13	---	---	---	---	---	1,633
Accounts Receivable, Net	---	---	---	3,048	529	31,051	---	---	---	460	---	1,108	2,183	3,038	41,417
Interest Receivable	---	---	---	---	---	---	---	---	---	10	214	---	---	158	382
Due from Other Funds	---	290	11,657	2,879	916	26	36	1	---	---	---	---	---	---	15,805
Due from Component Units	---	---	---	1	---	---	---	---	---	---	---	---	---	---	1
Inventories	3	16	6,100	1,197	9,117	---	---	2	12	---	---	---	---	---	16,447
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	31	---	31
Total Current Assets	909	3,192	22,921	23,934	24,774	34,703	540	212	383	5,644	32,957	4,551	146,077	28,971	329,768
Non-Current Assets:															
Investments	---	---	---	---	---	---	---	---	---	---	38,539	---	---	23,778	62,317
Restricted Assets:															
Cash and Cash Equivalents	---	---	1,004	1,169	---	---	---	---	---	---	---	---	---	---	2,173
Investments	---	---	---	---	---	---	---	---	---	---	200	---	---	100	300
Capital Assets:															
Construction in Progress	---	---	106	1,060	66	---	---	---	---	---	---	---	---	---	1,232
Software in Progress	736	603	---	9	---	7,079	---	---	---	---	---	---	---	---	8,427
Land	---	---	7,681	---	41	---	---	---	---	---	---	---	---	---	7,722
Land Improvements	---	---	3,052	---	62	---	---	---	---	---	---	---	---	---	3,114
Buildings	4,749	---	513,890	2,321	6,833	---	---	---	2,300	---	---	---	---	---	530,093
Equipment	5,812	2,445	13,271	54,624	24,410	2,247	63	458	1,883	---	---	---	2,878	---	108,091
Software	689	---	12	1,053	---	---	---	3	---	---	---	---	---	---	1,757
Less Accumulated Depreciation/Amortization	(6,891)	(2,297)	(146,226)	(35,539)	(26,130)	(1,755)	(63)	(428)	(2,676)	---	---	---	(2,545)	---	(224,550)
Total Non-Current Assets	5,095	751	392,790	24,697	5,282	7,571	---	33	1,507	---	38,739	---	333	23,878	500,676
Total Assets	6,004	3,943	415,711	48,631	30,056	42,274	540	245	1,890	5,644	71,696	4,551	146,410	52,849	830,444
<b>LIABILITIES</b>															
Current Liabilities:															
Bank Overdraft	---	---	---	---	---	---	---	---	---	---	---	1	---	---	1
Accounts Payable	148	2	3,734	309	53	1,237	4	10	65	79	11	3,600	20,820	3,738	33,810
Accrued Payroll	234	---	1,076	351	257	39	---	24	153	---	---	---	---	---	2,134
Due to Other Funds	84	---	72	3	129	216	---	5	27	---	---	---	---	---	536
Securities Lending Obligation	32	103	184	640	507	129	18	7	13	---	---	---	---	---	1,633
Unearned Revenue	---	---	---	81	---	---	---	---	---	12	---	---	25,223	7,948	33,264
Claims Liability	---	---	---	---	---	---	---	---	---	2,326	23,481	---	36,390	11,400	73,597
Obligations under Lease Purchase	349	---	1,206	3,144	---	---	---	---	---	---	---	---	---	---	4,699
Compensated Absences	516	---	2,287	680	582	55	---	51	248	---	---	---	2	---	4,421
Total Current Liabilities	1,363	105	8,559	5,208	1,528	1,676	22	97	506	2,417	23,492	3,601	82,435	23,086	154,095
Non-Current Liabilities:															
Claims Liability	---	---	---	---	---	---	---	---	---	---	66,503	---	---	---	66,503
Obligations under Lease Purchase	1,053	---	33,121	12,862	---	---	---	---	---	---	---	---	---	---	47,036
Compensated Absences	52	---	216	1,167	---	---	---	---	37	---	---	---	228	---	1,700
Total Non-Current Liabilities	1,105	---	33,337	14,029	---	---	---	---	37	---	66,503	---	228	---	115,239
Total Liabilities	2,468	105	41,896	19,237	1,528	1,676	22	97	543	2,417	89,995	3,601	82,663	23,086	269,334
<b>NET ASSETS</b>															
Invested in Capital Assets, Net of Related Debt	3,693	751	357,459	7,522	5,282	7,571	---	33	1,507	---	---	---	333	---	384,151
Restricted for:															
Revenue Bonds	---	---	1,004	---	---	---	---	---	---	---	---	---	---	---	1,004
Other Purposes	---	---	---	1,169	---	---	---	---	---	---	200	---	---	100	1,469
Unrestricted	(157)	3,087	15,352	20,703	23,246	33,027	518	115	(160)	3,227	(18,499)	950	63,414	29,663	174,486
Total Net Assets	\$ 3,536	\$ 3,838	\$ 373,815	\$ 29,394	\$ 28,528	\$ 40,598	\$ 518	\$ 148	\$ 1,347	\$ 3,227	\$ (18,299)	\$ 950	\$ 63,747	\$ 29,763	\$ 561,110

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals  June 30, 2011
<b>Operating Revenues:</b>															
Employer Contributions	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 9,017	\$ 20,450	\$ ---	\$ 368,283	\$ 82,864	\$ 480,614
Employee Contributions	---	---	---	---	---	---	---	---	---	6,129	---	83,051	83,926	32,591	205,697
Medicare Part D Subsidy	---	---	---	---	---	---	---	---	---	212	---	---	---	3,379	3,591
Licenses, Fees, and Permits	---	---	---	---	---	15,290	---	---	6,157	---	---	---	---	---	21,447
Sales	---	---	2	---	30,514	11	4	---	---	---	---	---	---	---	30,531
Leases and Rentals	---	---	101,028	---	152	9	---	---	---	---	---	---	---	---	101,189
Charges for Services	13,036	8,145	2,988	73,058	---	44	2,849	1,292	---	---	---	---	---	---	101,412
Cost Reimbursement/Miscellaneous	31	210	154	16,485	4	21	---	---	4	490	320	981	---	4,770	23,470
Total Operating Revenues	13,067	8,355	104,172	89,543	30,670	15,375	2,853	1,292	6,161	15,848	20,770	84,032	452,209	123,604	967,951
<b>Operating Expenses:</b>															
Cost of Goods Sold	---	---	---	9,953	12,326	---	---	---	---	---	---	---	---	---	22,279
Personal Service	8,824	40	35,081	12,135	9,627	1,507	---	1,233	4,709	---	---	654	3,119	---	76,929
Operations	3,810	255	62,477	51,620	6,858	13,748	3,036	244	1,045	1,314	659	198	15,302	7,674	168,240
Inventories	89	39	670	30	139	73	112	13	58	---	---	---	---	---	1,223
Specific Programs	16	9,102	35	---	13	3,511	---	---	11	---	---	54,221	---	---	66,909
Insurance Benefits	---	---	---	---	---	---	---	---	---	16,755	28,563	28,804	409,567	109,381	593,070
Depreciation/Amortization	757	30	13,498	6,214	932	680	---	32	235	---	---	---	362	---	22,740
Other Charges	91	---	83	47	1,418	93	---	11	91	37	---	---	---	20	1,891
Total Operating Expenses	13,587	9,466	111,844	79,999	31,313	19,612	3,148	1,533	6,149	18,106	29,222	83,877	428,350	117,075	953,281
Operating Income (Loss)	(520)	(1,111)	(7,672)	9,544	(643)	(4,237)	(295)	(241)	12	(2,258)	(8,452)	155	23,859	6,529	14,670
<b>Non-Operating Revenues (Expenses):</b>															
Contributions and Intergovernmental	---	---	53	---	1	16	---	105	---	---	---	---	---	60	235
Interest Expense	---	---	(1,545)	(69)	---	---	---	---	---	---	---	---	---	---	(1,614)
Investment Earnings:															
Net Increase (Decrease) in the Fair Value of Investments	(4)	(8)	(8)	(21)	(30)	(29)	(1)	(1)	---	(28)	(169)	---	---	(128)	(427)
Interest	---	---	4	---	---	---	---	---	---	101	1,712	11	709	1,068	3,605
Penalties and Unclaimed Properties	---	---	6	---	---	---	---	---	---	---	---	---	---	---	6
Disposal of Capital Assets	9	2	(351)	(2)	(21)	1	---	1	3	---	---	---	---	---	(358)
Total Non-Operating Revenues (Expenses)	5	(6)	(1,841)	(92)	(50)	(12)	(1)	105	3	73	1,543	11	709	1,000	1,447
Income (Loss) Before Transfers	(515)	(1,117)	(9,513)	9,452	(693)	(4,249)	(296)	(136)	15	(2,185)	(6,909)	166	24,568	7,529	16,117
Capital Contributions	---	---	60	1,241	---	---	---	---	---	---	---	---	---	---	1,301
Transfers In	---	---	---	---	36	15	---	---	48	---	---	---	---	---	99
Transfers Out	---	---	(5)	(441)	---	---	---	---	(33)	---	---	---	---	---	(479)
Change in Net Assets	(515)	(1,117)	(9,458)	10,252	(657)	(4,234)	(296)	(136)	30	(2,185)	(6,909)	166	24,568	7,529	17,038
Total Net Assets – Beginning	4,051	4,955	383,273	19,142	29,185	44,832	814	284	1,317	5,412	(11,390)	784	39,179	22,234	544,072
Total Net Assets – Ending	\$ 3,536	\$ 3,838	\$ 373,815	\$ 29,394	\$ 28,528	\$ 40,598	\$ 518	\$ 148	\$ 1,347	\$ 3,227	\$ (18,299)	\$ 950	\$ 63,747	\$ 29,763	\$ 561,110

STATE OF MISSOURI  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration and Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals  June 30, 2011
<b>Cash Flows from Operating Activities:</b>															
Receipts from Internal Customers and Users	\$ 13,036	\$ 8,055	\$ 104,018	\$ 69,456	\$ 20,249	\$ 122	\$ 2,849	\$ 1,292	\$ 6,157	\$ 9,140	\$ 20,450	\$ ---	\$ 379,613	\$ 82,864	\$ 717,301
Receipts from External Customers and Users	---	90	---	2,735	10,203	12,033	4	---	---	6,341	---	83,086	83,926	35,102	233,520
Payments to Suppliers	(3,841)	(350)	(63,540)	(64,933)	(19,891)	(13,585)	(3,210)	(259)	(1,154)	(1,308)	(712)	(58)	(14,582)	(6,775)	(194,198)
Payments to Employees	(8,904)	(59)	(34,939)	(11,175)	(9,753)	(1,518)	---	(1,263)	(4,678)	---	---	(654)	(3,107)	---	(76,050)
Payments Made for Program Expense	(16)	(9,102)	(35)	---	(13)	(3,511)	---	---	(11)	(15,674)	(20,140)	(83,025)	(414,494)	(109,781)	(655,802)
Other Receipts (Payments)	(60)	210	71	16,438	(1,414)	(72)	---	(11)	(87)	453	320	981	---	4,750	21,579
Net Cash Provided (Used) by Operating Activities	215	(1,156)	5,575	12,521	(619)	(6,531)	(357)	(241)	227	(1,048)	(82)	330	31,356	6,160	46,350
<b>Cash Flows from Non-Capital Financing Activities:</b>															
Due to/from Other Funds	10	(173)	383	528	213	103	344	4	(4)	---	---	---	---	---	1,408
Due to/from Component Units	---	---	---	(1)	---	---	---	---	---	---	---	---	---	---	(1)
Contributions and Intergovernmental	---	---	53	---	1	16	---	105	---	---	---	---	---	60	235
Transfers to/from Other Funds	---	---	(5)	(441)	36	15	---	---	15	---	---	---	---	---	(380)
Net Cash Provided (Used) by Non-Capital Financing Activities	10	(173)	431	86	250	134	344	109	11	---	---	---	---	60	1,262
<b>Cash Flows from Capital and Related Financing Activities:</b>															
Interest Expense	---	---	(1,545)	(69)	---	---	---	---	---	---	---	---	---	---	(1,614)
Purchase and Construction of Capital Assets	(944)	(14)	(2,375)	(3,912)	(293)	(4,021)	---	(5)	(81)	---	---	---	(230)	---	(11,875)
Capital Lease Downpayment/Obligations	(347)	---	(1,158)	(1,646)	---	---	---	---	---	---	---	---	---	---	(3,151)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,291)	(14)	(5,078)	(5,627)	(293)	(4,021)	---	(5)	(81)	---	---	---	(230)	---	(16,640)
<b>Cash Flows from Investing Activities:</b>															
Proceeds from Sales and Investment Maturities	956	1,407	---	---	2,184	8,727	69	133	---	1,095	67,863	754,017	---	33,149	869,600
Purchase of Investments	---	---	(143)	(3,473)	---	---	---	---	(82)	---	(65,413)	(754,357)	(1,118)	(42,785)	(867,371)
Interest and Dividends Received	---	---	4	---	---	---	---	---	---	111	1,848	11	709	1,130	3,813
Investment Fees	---	---	---	---	---	---	---	---	---	---	---	---	---	(39)	(39)
Penalties and Other Receipts	---	---	6	---	---	---	---	---	---	---	---	---	---	---	6
Net Cash Provided (Used) by Investing Activities	956	1,407	(133)	(3,473)	2,184	8,727	69	133	(82)	1,206	4,298	(329)	(409)	(8,545)	6,009
Net Increase (Decrease) in Cash	(110)	64	795	3,507	1,522	(1,691)	56	(4)	75	158	4,216	1	30,717	(2,325)	36,981
Cash and Cash Equivalents, Beginning of Year	393	837	1,822	2,113	2,915	2,823	101	69	41	960	5,624	(2)	78,215	9,318	105,229
Cash and Cash Equivalents, End of Year	\$ 283	\$ 901	\$ 2,617	\$ 5,620	\$ 4,437	\$ 1,132	\$ 157	\$ 65	\$ 116	\$ 1,118	\$ 9,840	\$ (1)	\$ 108,932	\$ 6,993	\$ 142,210
<b>Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:</b>															
Operating Income (Loss)	\$ (520)	\$ (1,111)	\$ (7,672)	\$ 9,544	\$ (643)	\$ (4,237)	\$ (295)	\$ (241)	\$ 12	\$ (2,258)	\$ (8,452)	\$ 155	\$ 23,859	\$ 6,529	\$ 14,670
Depreciation/Amortization Expense	757	30	13,498	6,214	932	680	---	32	235	---	---	---	362	---	22,740
Changes in Assets and Liabilities:															
Accounts Receivable	---	---	---	(867)	(214)	(3,199)	---	---	---	131	---	35	2,078	(1,112)	(3,148)
Inventories	(1)	---	569	(550)	(566)	---	112	---	---	---	---	---	---	---	(436)
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	112	---	112
Accounts Payable	59	(56)	(962)	(2,780)	(2)	236	(174)	(2)	(51)	6	(53)	140	608	899	(2,132)
Accrued Payroll	(33)	(14)	82	(6)	(7)	(1)	---	(12)	22	---	---	---	---	---	31
Unearned Revenue	---	---	---	---	---	---	---	---	---	(8)	---	---	9,252	244	9,488
Claims Liability	---	---	---	---	---	---	---	---	---	1,081	8,423	---	(4,927)	(400)	4,177
Compensated Absences	(47)	(5)	60	966	(119)	(10)	---	(18)	9	---	---	---	12	---	848
Net Cash Provided (Used) by Operating Activities	\$ 215	\$ (1,156)	\$ 5,575	\$ 12,521	\$ (619)	\$ (6,531)	\$ (357)	\$ (241)	\$ 227	\$ (1,048)	\$ (82)	\$ 330	\$ 31,356	\$ 6,160	\$ 46,350
<b>Non-Cash Financing and Investing Activities:</b>															
Capital Lease Issuance	\$ ---	\$ ---	\$ ---	\$ 14,867	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 14,867
Capital Asset Donations	---	---	60	39	35	15	---	---	---	---	---	---	---	---	149
Increase (Decrease) in Fair Value of Investments	(4)	(8)	(8)	(21)	(30)	(29)	(1)	(1)	---	(28)	(169)	---	---	(128)	(427)
Net Non-Cash Financing and Investing Activities	\$ (4)	\$ (8)	\$ 52	\$ 14,885	\$ 5	\$ (14)	\$ (1)	\$ (1)	\$ ---	\$ (28)	\$ (169)	\$ ---	\$ ---	\$ (128)	\$ 14,589



*The **Fiduciary Funds** account for assets held by the State in a trustee or agent capacity.*

## **Pension (and Other Employee Benefit) Trust Funds:**

### **Missouri State Employees' Retirement System:**

**Missouri State Employees' Plan** – Accounts for retirement, survivor, and disability benefits paid to employees of the State who are not covered under another state-sponsored retirement plan.

**Judicial Plan** – Accounts for retirement, survivor, and disability benefits to judges in the State of Missouri.

**Missouri Department of Transportation and Highway Patrol Employees' Retirement System** – Accounts for retirement, survivor, and disability benefits paid to Department of Transportation employees and members of the Missouri State Highway Patrol.

**Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust** – Accounts for health and welfare benefits paid for the exclusive benefit of current and future retired employees of the State who are not covered under another state-sponsored other post-employment benefit plan.

**Missouri State Employees' Deferred Compensation Incentive (IRC 401a) Plan** – Accounts for retirement benefits paid to employees of the State.

**Missouri State Public Employees' Deferred Compensation (IRC 457) Plan** – Accounts for deposits from State employees, which are invested for the benefit of the employees until properly authorized to distribute.

## **Private-Purpose Trust Funds:**

**Alternative Care Trust** – Accounts for all moneys received and spent by the Division of Family Services on behalf of children in their custody.

**Johnson-Travis Memorial Trust** – Accounts for all moneys, stocks, and securities given to the State by Miss Pansy Johnson or for the benefit of the Pansy Johnson-Travis Memorial State Gardens. Moneys will be used solely to establish, develop, and maintain the gardens.

**Unclaimed Property** – Accounts for moneys unpaid or unclaimed within one year after final settlement of any executor or administrator, assignee, sheriff or receiver and all unclaimed deposits, dividends, and interest of banks unable to locate the owners.

## **Agency Funds:**

**Social Security Contributions** – Accounts for the receipt of contributions from various state funds for the State's share of social security contributions, which are due to the Federal Social Security Administration.

**Missouri State Employees' Voluntary Life Insurance** – Accounts for moneys withheld from employees' compensation for the contracts entered into with life insurance companies.

**Program** – Accounts for the receipt of various taxes, refundable deposits, and other moneys to be held until the State has the right or obligation to distribute them to various entities or individuals.

**Institution** – Accounts for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**  
**June 30, 2011**  
**(In Thousands of Dollars)**

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Missouri State Public Employees' Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2011
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 797,297	\$ 9,974	\$ 34	\$ 3,506	\$ 144	\$ 475	\$ 811,430
Investments at Fair Value	6,986,076	87,396	1,548,230	73,949	386,723	1,150,244	10,232,618
Invested Securities							
Lending Collateral	635,139	7,946	60,134	---	---	---	703,219
Receivables:							
Accounts Receivable	25,899	1,345	34,326	17,482	365	1,179	80,596
Interest Receivable	---	---	3,375	---	---	---	3,375
Prepaid Expenses	50	1	7	---	---	---	58
Capital Assets:							
Land	264	3	84	---	---	---	351
Buildings	3,524	44	582	---	---	---	4,150
Equipment	1,633	21	166	---	---	---	1,820
Software	34	---	3,248	---	---	---	3,282
Accumulated Depreciation/Amortization	(2,432)	(30)	(793)	---	---	---	(3,255)
Total Capital Assets, Net	3,023	38	3,287	---	---	---	6,348
Total Assets	8,447,484	106,700	1,649,393	94,937	387,232	1,151,898	11,837,644
<b>LIABILITIES</b>							
Accounts Payable	42,333	530	33,372	259	104	312	76,910
Securities Lending Obligation	635,887	7,955	60,340	---	---	---	704,182
Unearned Revenue	---	---	---	4,924	---	---	4,924
Claims Liability	---	---	---	9,534	---	---	9,534
Compensated Absences	555	7	---	---	---	---	562
Total Liabilities	678,775	8,492	93,712	14,717	104	312	796,112
Net Assets Held in Trust for Benefits	\$ 7,768,709	\$ 98,208	\$ 1,555,681	\$ 80,220	\$ 387,128	\$ 1,151,586	\$ 11,041,532

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees'	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Missouri State Public Employees' Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan	Retirement System		401 (a) Plan	457 Plan	June 30, 2011
<b>Additions:</b>							
Contributions:							
Employer	\$ 263,418	\$ 27,703	\$ 150,022	\$ 61,570	\$ ---	\$ ---	\$ 502,713
Plan Member	3,415	60	46	50,923	---	54,240	108,684
Other	142	---	454	---	39,078	332	40,006
Total Contributions	266,975	27,763	150,522	112,493	39,078	54,572	651,403
Investment Earnings:							
Increase (Decrease) in							
Appreciation of Assets	1,091,261	13,652	289,428	---	30,769	136,073	1,561,183
Interest and Dividends	403,436	5,047	26,222	8,839	5,266	12,822	461,632
Securities Lending							
Income	1,783	22	192	---	---	---	1,997
Total Investment							
Earnings	1,496,480	18,721	315,842	8,839	36,035	148,895	2,024,812
Less Investment Expenses:							
Investment Activity							
Expense	(100,535)	(1,258)	(18,539)	---	---	---	(120,332)
Securities Lending							
Expense	(268)	(3)	(82)	---	---	---	(353)
Total Investment							
Expense	(100,803)	(1,261)	(18,621)	---	---	---	(120,685)
Net Investment							
Earnings	1,395,677	17,460	297,221	8,839	36,035	148,895	1,904,127
Cost Reimbursement/ Miscellaneous	659	8	33	---	---	---	700
Total Additions	1,663,311	45,231	447,776	121,332	75,113	203,467	2,556,230
<b>Deductions:</b>							
Benefits	597,425	25,489	202,154	107,360	29,786	---	962,214
Administrative Expenses	6,800	85	2,286	6,947	497	881	17,496
Program Distributions	---	---	---	---	---	74,955	74,955
Service Transfer							
Payments	17,746	---	---	---	---	---	17,746
Depreciation/Amortization	254	3	372	---	---	---	629
Total Deductions	622,225	25,577	204,812	114,307	30,283	75,836	1,073,040
Change in Net Assets	1,041,086	19,654	242,964	7,025	44,830	127,631	1,483,190
Net Assets Held in Trust for Benefits							
Beginning of Year	6,727,623	78,554	1,312,717	73,195	342,298	1,023,955	9,558,342
End of Year	\$ 7,768,709	\$ 98,208	\$ 1,555,681	\$ 80,220	\$ 387,128	\$ 1,151,586	\$ 11,041,532



STATE OF MISSOURI  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
June 30, 2011  
(In Thousands of Dollars)

	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,752	\$ 255	\$ 6,538	\$ 8,545
Investments at Fair Value	3,660	592	13,654	17,906
Invested Securities Lending Collateral	200	29	746	975
Interest Receivable	10	1	---	11
Inventories	---	---	2	2
Capital Assets:				
Equipment	---	---	46	46
Software	---	---	9	9
Less: Accumulated Depreciation/Amortization	---	---	(36)	(36)
Total Capital Assets, Net	---	---	19	19
Total Assets	5,622	877	20,959	27,458
<b>LIABILITIES</b>				
Accounts Payable	870	---	10	880
Accrued Payroll	---	---	23	23
Securities Lending Obligation	200	29	746	975
Compensated Absences	---	---	30	30
Total Liabilities	1,070	29	809	1,908
<b>NET ASSETS</b>				
Net Assets Held in Trust for Other Purposes	\$ 4,552	\$ 848	\$ 20,150	\$ 25,550

STATE OF MISSOURI  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
For the Fiscal Year Ended June 30, 2011  
(In Thousands of Dollars)

	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2011
<b>Additions:</b>				
Increase (Decrease) in Appreciation of Assets	\$ (8)	\$ 2	\$ (25)	\$ (31)
Interest	45	8	---	53
Total Investment Earnings	37	10	(25)	22
Unclaimed Property	---	---	44,621	44,621
Cost Reimbursement/Miscellaneous	12,636	---	---	12,636
Total Additions	12,673	10	44,596	57,279
<b>Deductions:</b>				
Administrative Expenses	---	---	1,707	1,707
Program Distributions	11,350	---	34,709	46,059
Depreciation/Amortization	---	---	16	16
Disposal of Capital Assets	---	---	15	15
Total Deductions	11,350	---	36,447	47,797
Change in Net Assets	1,323	10	8,149	9,482
Net Assets – Beginning	3,229	838	12,001	16,068
Net Assets – Ending	\$ 4,552	\$ 848	\$ 20,150	\$ 25,550

**STATE OF MISSOURI  
COMBINING BALANCE SHEET  
AGENCY FUNDS  
June 30, 2011  
(In Thousands of Dollars)**

	Social Security Contributions	Missouri State Employees' Voluntary Life Insurance	Program	Institution	Totals  June 30, 2011
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 33	\$ 52	\$ 347,918	\$ 27,767	\$ 375,770
Investments at Fair Value	68	110	122,672	1,553	124,403
Invested Securities Lending Collateral	4	6	49	---	59
Receivables:					
Accounts Receivable	5,932	---	250,523	408	256,863
Interest Receivable	---	---	32	---	32
Total Assets	<u>\$ 6,037</u>	<u>\$ 168</u>	<u>\$ 721,194</u>	<u>\$ 29,728</u>	<u>\$ 757,127</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ ---	\$ ---	\$ 32	\$ ---	\$ 32
Due to Other Entities	6,033	162	718,085	---	724,280
Due to Individuals	---	---	3,028	29,728	32,756
Securities Lending Obligation	4	6	49	---	59
Total Liabilities	<u>\$ 6,037</u>	<u>\$ 168</u>	<u>\$ 721,194</u>	<u>\$ 29,728</u>	<u>\$ 757,127</u>

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>SOCIAL SECURITY CONTRIBUTIONS</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 26	\$ 148,131	\$ 148,124	\$ 33
Investments at Fair Value	81	68	81	68
Invested Securities Lending Collateral	10	4	10	4
Accounts Receivable	6,167	5,932	6,167	5,932
Total Assets	<u>\$ 6,284</u>	<u>\$ 154,135</u>	<u>\$ 154,382</u>	<u>\$ 6,037</u>
<b>LIABILITIES</b>				
Due to Other Entities	\$ 6,274	\$ 449,035	\$ 449,276	\$ 6,033
Securities Lending Obligation	10	4	10	4
Total Liabilities	<u>\$ 6,284</u>	<u>\$ 449,039</u>	<u>\$ 449,286</u>	<u>\$ 6,037</u>
<b><u>MISSOURI STATE EMPLOYEES'</u></b>				
<b><u>VOLUNTARY LIFE INSURANCE</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 34	\$ 4,087	\$ 4,069	\$ 52
Investments at Fair Value	132	110	132	110
Invested Securities Lending Collateral	17	6	17	6
Total Assets	<u>\$ 183</u>	<u>\$ 4,203</u>	<u>\$ 4,218</u>	<u>\$ 168</u>
<b>LIABILITIES</b>				
Due to Other Entities	\$ 166	\$ 4,121	\$ 4,125	\$ 162
Securities Lending Obligation	17	6	17	6
Total Liabilities	<u>\$ 183</u>	<u>\$ 4,127</u>	<u>\$ 4,142</u>	<u>\$ 168</u>
<b><u>PROGRAM</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 27,697	\$ 6,160,878	\$ 5,840,657	\$ 347,918
Investments at Fair Value	438,929	607,750	924,007	122,672
Invested Securities Lending Collateral	267	49	267	49
Receivables:				
Accounts Receivable	225,262	42,734	17,473	250,523
Interest Receivable	37	281	286	32
Total Assets	<u>\$ 692,192</u>	<u>\$ 6,811,692</u>	<u>\$ 6,782,690</u>	<u>\$ 721,194</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 31	\$ 372	\$ 371	\$ 32
Due to Other Entities	687,477	6,786,027	6,755,419	718,085
Due to Individuals	4,417	19,496	20,885	3,028
Securities Lending Obligation	267	49	267	49
Total Liabilities	<u>\$ 692,192</u>	<u>\$ 6,805,944</u>	<u>\$ 6,776,942</u>	<u>\$ 721,194</u>
<b><u>INSTITUTION</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 29,048	\$ 159,413	\$ 160,694	\$ 27,767
Investments at Fair Value	1,464	119	30	1,553
Accounts Receivable	331	127	50	408
Total Assets	<u>\$ 30,843</u>	<u>\$ 159,659</u>	<u>\$ 160,774</u>	<u>\$ 29,728</u>
<b>LIABILITIES</b>				
Due to Individuals	<u>\$ 30,843</u>	<u>\$ 159,659</u>	<u>\$ 160,774</u>	<u>\$ 29,728</u>
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 56,805	\$ 6,472,509	\$ 6,153,544	\$ 375,770
Investments at Fair Value	440,606	608,047	924,250	124,403
Invested Securities Lending Collateral	294	59	294	59
Receivables:				
Accounts Receivable	231,760	48,793	23,690	256,863
Interest Receivable	37	281	286	32
Total Assets	<u>\$ 729,502</u>	<u>\$ 7,129,689</u>	<u>\$ 7,102,064</u>	<u>\$ 757,127</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 31	\$ 372	\$ 371	\$ 32
Due to Other Entities	693,917	7,239,183	7,208,820	724,280
Due to Individuals	35,260	179,155	181,659	32,756
Securities Lending Obligation	294	59	294	59
Total Liabilities	<u>\$ 729,502</u>	<u>\$ 7,418,769</u>	<u>\$ 7,391,144</u>	<u>\$ 757,127</u>



*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

### **Non-Major Component Units:**

**Missouri Development Finance Board** – Accounts for moneys from bond proceeds, gifts, and grants to make loans for industrial development.

**Missouri Agricultural and Small Business Development Authority** – Accounts for moneys from bond proceeds, gifts, and grants to make loans for property acquisitions/renovations and pollution control facilities.

**Missouri Transportation Finance Corporation** – Accounts for moneys from federal, state or local sources, and from bond proceeds to be used for projects approved by the Missouri Highways and Transportation Commission.

**Missouri Wine and Grape Board** – Accounts for moneys derived from the privilege of selling wine to be used for marketing development in developing programs for growing, selling, and marketing of grape products grown in Missouri.

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR COMPONENT UNITS**  
**June 30, 2011**  
**(In Thousands of Dollars)**

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Missouri Wine and Grape Board	Totals  June 30, 2011
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 13,053	\$ 1,316	\$ 7,588	\$ 282	\$ 22,239
Investments	4,388	3,059	6,000	590	14,037
Invested Securities Lending Collateral	---	1	---	32	33
Interest Receivable	113	---	1,235	2	1,350
Inventories	---	---	---	1	1
Restricted Assets:					
Cash and Cash Equivalents	---	---	3,303	---	3,303
Investments	---	---	6,009	---	6,009
Receivables, Net	---	---	92	---	92
Loans Receivable	---	---	8,184	---	8,184
Prepaid Items	360	---	---	---	360
Loans Receivable	285	657	---	---	942
Total Current Assets	18,199	5,033	32,411	907	56,550
Non-Current Assets:					
Advance to Primary Government	---	---	3,852	---	3,852
Deferred Charges	187	---	---	---	187
Loans Receivable	40,792	4,264	---	---	45,056
Interest Rate Cap Agreement	124	---	---	---	124
Restricted Assets:					
Cash and Cash Equivalents	15,665	443	---	---	16,108
Investments	11,935	682	6,126	---	18,743
Loans Receivables	---	---	51,622	---	51,622
Capital Assets:					
Land	7,220	---	---	---	7,220
Buildings	47,224	---	---	---	47,224
Equipment	184	---	---	6	190
Software	15	---	---	---	15
Less Accumulated Depreciation/ Amortization	(7,326)	---	---	(4)	(7,330)
Total Non-Current Assets	116,020	5,389	61,600	2	183,011
Total Assets	134,219	10,422	94,011	909	239,561
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	5,269	119	2	3	5,393
Accrued Payroll	---	---	---	10	10
Bonds Payable	270	---	---	---	270
Due to Primary Government	---	666	---	1	667
Interest Payable	36	45	---	---	81
Securities Lending Obligation	---	1	---	32	33
Compensated Absences	---	---	---	17	17
Total Current Liabilities	5,575	831	2	63	6,471
Non-Current Liabilities:					
Advance from Primary Government	---	4,418	---	---	4,418
Deposits and Reserves	4,533	---	---	---	4,533
Bonds Payable	39,080	---	---	---	39,080
Unearned Revenue	1,037	---	---	---	1,037
Compensated Absences	---	---	---	16	16
Total Non-Current Liabilities	44,650	4,418	---	16	49,084
Total Liabilities	50,225	5,249	2	79	55,555
<b>NET ASSETS</b>					
Invested in Capital Assets, Net	16,967	---	---	---	16,967
Restricted for:					
Other Purposes	24,972	1,125	79,188	---	105,285
Unrestricted	42,055	4,048	14,821	830	61,754
Total Net Assets	\$ 83,994	\$ 5,173	\$ 94,009	\$ 830	\$ 184,006

**STATE OF MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**NON-MAJOR COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Missouri Wine and Grape Board	Totals  June 30, 2011
<b>Operating Revenues:</b>					
Licenses, Fees, and Permits	\$ 2,021	\$ 545	\$ 16	\$ ---	\$ 2,582
Interest on Receivables	932	---	2,581	---	3,513
Leases and Rentals	2,782	---	---	---	2,782
Cost Reimbursement/Miscellaneous	1,136	---	---	18	1,154
Total Operating Revenues	<u>6,871</u>	<u>545</u>	<u>2,597</u>	<u>18</u>	<u>10,031</u>
<b>Operating Expenses:</b>					
Personal Service	864	402	17	284	1,567
Operations	1,466	422	10	1,435	3,333
Inventories	---	---	---	5	5
Specific Programs	1,272	830	---	2	2,104
Depreciation/Amortization	1,219	---	---	2	1,221
Bad Debt Expense	111	---	---	---	111
Other Charges	33	2	2	7	44
Total Operating Expenses	<u>4,965</u>	<u>1,656</u>	<u>29</u>	<u>1,735</u>	<u>8,385</u>
Operating Income (Loss)	<u>1,906</u>	<u>(1,111)</u>	<u>2,568</u>	<u>(1,717)</u>	<u>1,646</u>
<b>Non-Operating Revenues (Expenses):</b>					
Contributions and Intergovernmental	(4,988)	1,365	---	1,479	(2,144)
Investment Earnings:					
Increase (Decrease) in Fair Value of					
Investments	---	9	(144)	(2)	(137)
Interest	211	291	302	10	814
Interest Expense	(838)	(95)	---	---	(933)
Miscellaneous Expenses	---	---	(14)	---	(14)
Total Non-Operating Revenues	<u>---</u>	<u>---</u>	<u>(14)</u>	<u>---</u>	<u>(14)</u>
(Expenses)	<u>(5,615)</u>	<u>1,570</u>	<u>144</u>	<u>1,487</u>	<u>(2,414)</u>
Change in Net Assets	(3,709)	459	2,712	(230)	(768)
Total Net Assets – Beginning	<u>87,703</u>	<u>4,714</u>	<u>91,297</u>	<u>1,060</u>	<u>184,774</u>
Total Net Assets – Ending	<u>\$ 83,994</u>	<u>\$ 5,173</u>	<u>\$ 94,009</u>	<u>\$ 830</u>	<u>\$ 184,006</u>



**STATE OF MISSOURI**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2011**  
**(In Thousands of Dollars)**

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Missouri Wine and Grape Board	Totals June 30, 2011
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers and Users	\$ 5,654	\$ 554	\$ 2,723	\$ ---	\$ 8,931
Loans to Outside Entities	---	495	11,309	---	11,804
Payments to Vendors and Suppliers	(3,059)	(313)	(9)	(1,441)	(4,822)
Payments to Employees	(864)	(402)	(17)	(271)	(1,554)
Payments Made for Program Expense	---	---	---	(2)	(2)
Net Payments/Receipts for Tax Credit Projects	847	---	---	---	847
Other Receipts (Payments)	---	(832)	(2)	11	(823)
Net Cash Provided (Used) by Operating Activities	2,578	(498)	14,004	(1,703)	14,381
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Loans Receivable Principal Receipts	621	---	---	---	621
Loans Receivable Issuance	(140)	---	---	---	(140)
Due to/from Primary Government	---	(302)	---	1	(301)
Advance to/from Primary Government	---	(244)	(79)	---	(323)
Contributions and Intergovernmental	12	1,365	---	1,479	2,856
Net Cash Provided (Used) by Non-Capital Financing Activities	493	819	(79)	1,480	2,713
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Interest Expense	(838)	(107)	---	---	(945)
Purchases and Construction of Capital Assets	(3)	---	---	(2)	(5)
Principal Payments on Capital Debt	(255)	---	---	---	(255)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,096)	(107)	---	(2)	(1,205)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Investment Maturities	26,887	---	36,961	276	64,124
Purchase of Investments	(26,988)	(989)	(47,706)	---	(75,683)
Interest	236	291	302	10	839
Investment Fees	---	---	(14)	---	(14)
Net Cash Provided (Used) by Investing Activities	135	(698)	(10,457)	286	(10,734)
Net Increase (Decrease) in Cash	2,110	(484)	3,468	61	5,155
Cash and Cash Equivalents, Beginning of Year	26,608	2,243	7,423	221	36,495
Cash and Cash Equivalents, End of Year	\$ 28,718	\$ 1,759	\$ 10,891	\$ 282	\$ 41,650
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ 1,906	\$ (1,111)	\$ 2,568	\$ (1,717)	\$ 1,646
Depreciation/Amortization Expense	1,219	---	---	2	1,221
Changes in Assets and Liabilities:					
Accounts Receivable	(83)	---	---	---	(83)
Interest Receivable	10	9	126	---	145
Deferred Charges	94	---	---	---	94
Prepaid Items	(39)	---	---	---	(39)
Loans Receivable	---	495	11,309	---	11,804
Accounts Payable	(148)	109	1	(1)	(39)
Accrued Payroll	---	---	---	3	3
Deposit and Reserve	(381)	---	---	---	(381)
Compensated Absences	---	---	---	10	10
Net Cash Provided (Used) by Operating Activities	\$ 2,578	\$ (498)	\$ 14,004	\$ (1,703)	\$ 14,381
<b>Non-Cash Investing Activities:</b>					
Increase (Decrease) in Fair Value of Investments	\$ ---	\$ 9	\$ (144)	\$ (2)	\$ (137)
Net Non-Cash Investing Activities	\$ ---	\$ 9	\$ (144)	\$ (2)	\$ (137)



*The **Statistical Section** presentations include Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information trends. The statistical data presented is intended to provide report users with a broader understanding of the environment in which the State operates.*

## **Index and Overview**

This part of the State's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

### **Financial Trends**

*These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.*

Net Assets by Component .....	152
Changes in Net Assets .....	153
Fund Balances – Governmental Funds .....	155
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### **Revenue Capacity**

*These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.*

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Personal Income Tax Revenue .....	161
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### **Debt Capacity**

*These schedules present information to help the reader understand and assess the State's levels of outstanding debt and the State's ability to issue additional debt in the future.*

Ratios of Outstanding Debt .....	165
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### **Demographic and Economic Information**

*These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.*

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### **Operating Information**

*These schedules contain operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.*

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*Sources: Unless otherwise noted, the information in these schedules is derived from the State of Missouri Comprehensive Annual Financial Report for the years shown.*

**STATE OF MISSOURI  
NET ASSETS BY COMPONENT  
FISCAL YEARS 2005–2011  
(In Thousands of Dollars)**

	2011	2010*	2009	2008
<b>Governmental Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 26,600,674	\$ 25,850,787	\$ 26,247,223	\$ 25,324,173
Restricted	4,354,322	3,907,120	3,537,444	6,003,212
Unrestricted	(1,155,357)	(940,675)	(1,260,231)	(2,327,482)
<b>Total Governmental Activities Net Assets</b>	<u>\$ 29,799,639</u>	<u>\$ 28,817,232</u>	<u>\$ 28,524,436</u>	<u>\$ 28,999,903</u>
<b>Business-Type Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 50,290	\$ 45,990	\$ 48,442	\$ 42,360
Restricted	6,303	7,949	6,771	45,362
Unrestricted	(466,841)	(437,995)	(1,050)	329,265
<b>Total Business-Type Activities Net Assets</b>	<u>\$ (410,248)</u>	<u>\$ (384,056)</u>	<u>\$ 54,163</u>	<u>\$ 416,987</u>
<b>Primary Government</b>				
Invested in Capital Assets, Net of Related Debt	\$ 26,650,964	\$ 25,896,777	\$ 26,295,665	\$ 25,366,533
Restricted	4,360,625	3,915,069	3,544,215	6,048,574
Unrestricted	(1,622,198)	(1,378,670)	(1,261,281)	(1,998,217)
<b>Total Primary Government Net Assets</b>	<u>\$ 29,389,391</u>	<u>\$ 28,433,176</u>	<u>\$ 28,578,599</u>	<u>\$ 29,416,890</u>

Continues Below

	2007	2006	2005
<b>Governmental Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 25,475,504	\$ 25,840,886	\$ 25,572,008
Restricted	5,032,619	3,824,769	3,250,204
Unrestricted	(1,909,993)	(1,453,203)	(1,321,738)
<b>Total Governmental Activities Net Assets</b>	<u>\$ 28,598,130</u>	<u>\$ 28,212,452</u>	<u>\$ 27,500,474</u>
<b>Business-Type Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 40,922	\$ 39,669	\$ 43,304
Restricted	9,517	3,942	12,407
Unrestricted	185,453	33,993	(151,323)
<b>Total Business-Type Activities Net Assets</b>	<u>\$ 235,892</u>	<u>\$ 77,604</u>	<u>\$ (95,612)</u>
<b>Primary Government</b>			
Invested in Capital Assets, Net of Related Debt	\$ 25,516,426	\$ 25,880,555	\$ 25,615,312
Restricted	5,042,136	3,828,711	3,262,611
Unrestricted	(1,724,540)	(1,419,210)	(1,473,061)
<b>Total Primary Government Net Assets</b>	<u>\$ 28,834,022</u>	<u>\$ 28,290,056</u>	<u>\$ 27,404,862</u>

\*Fiscal year 2010 amounts have been restated.

STATE OF MISSOURI  
CHANGES IN NET ASSETS  
FISCAL YEARS 2005-2011  
(In Thousands of Dollars)

	2011	2010*	2009	2008	2007	2006	2005
<b>Governmental Activities:</b>							
<b>Expenses</b>							
General Government	\$ 1,086,428	\$ 1,129,030	\$ 1,182,233	\$ 1,210,044	\$ 1,092,613	\$ 981,614	\$ 1,035,396
Education	6,536,870	6,815,521	6,589,358	6,379,189	6,042,581	5,773,048	5,669,627
Natural and Economic	929,528	1,082,526	1,043,449	1,006,560	928,873	867,915	834,269
Transportation and Law Enforcement	2,529,014	2,699,070	2,375,104	2,258,653	2,303,272	2,025,341	2,189,839
Human Services	11,712,121	11,740,145	10,898,796	9,876,132	9,191,994	9,890,652	9,771,651
Interest on Debt (Excluding Direct Expense)	200,681	196,413	210,342	174,011	149,987	130,438	126,202
Total Expenses	<u>22,994,642</u>	<u>23,662,705</u>	<u>22,299,282</u>	<u>20,904,589</u>	<u>19,709,320</u>	<u>19,669,008</u>	<u>19,626,984</u>
<b>Program Revenues</b>							
Charges for Services:							
General Government	750,231	875,161	756,969	775,528	669,640	724,442	705,241
Transportation and Law Enforcement	285,269	319,941	400,842	400,134	474,086	308,743	134,297
Human Services	592,057	653,463	531,250	363,644	302,002	422,912	422,706
Other Activities	335,134	380,133	369,976	277,190	239,907	154,925	191,423
Operating Grants and Contributions	9,704,651	9,489,240	8,317,356	7,697,736	7,828,289	7,758,885	7,767,831
Capital Grants and Contributions	1,796,035	1,454,811	966,394	971,801	306	---	---
Total Program Revenues	<u>13,463,377</u>	<u>13,172,749</u>	<u>11,342,787</u>	<u>10,486,033</u>	<u>9,514,230</u>	<u>9,369,907</u>	<u>9,221,498</u>
<b>Total Governmental Activities</b>							
<b>Net Program (Expense) Revenue</b>	<u>(9,531,265)</u>	<u>(10,489,956)</u>	<u>(10,956,495)</u>	<u>(10,418,556)</u>	<u>(10,195,090)</u>	<u>(10,299,101)</u>	<u>(10,405,486)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Taxes:							
Sales and Use	2,570,244	2,572,491	2,635,068	2,871,465	2,929,398	3,047,305	3,003,405
Individual Income	4,878,166	4,840,809	5,169,741	5,447,817	5,140,588	5,271,506	4,821,500
Corporate Income	394,389	360,764	377,801	463,826	496,378	520,324	351,116
County Foreign Insurance	182,679	171,497	177,393	186,566	178,507	186,647	163,952
Alcoholic Beverage	27,247	27,657	26,689	27,754	28,074	29,068	28,045
Corporate Franchise	70,743	82,182	82,114	82,360	69,704	76,574	118,343
Inheritance	1,833	233	2,671	3,073	5,351	15,319	41,832
Miscellaneous Taxes	1,210,758	1,207,501	1,160,700	1,173,076	1,164,171	1,307,727	1,334,595
Grants and Contributions not							
Restricted to Specific Programs	889,051	1,301,531	499,542	196,397	195,662	158,745	158,140
Unrestricted Investment Earnings	23,282	28,870	69,339	136,782	145,879	146,234	80,161
Transfers	265,280	258,947	257,441	264,416	256,687	258,773	207,159
Total General Revenues and							
Other Changes in Net Assets	<u>10,513,672</u>	<u>10,852,482</u>	<u>10,458,499</u>	<u>10,853,532</u>	<u>10,610,399</u>	<u>11,018,222</u>	<u>10,308,248</u>
<b>Total Governmental Activities</b>							
<b>Change in Net Assets</b>	<u>\$ 982,407</u>	<u>\$ 362,526</u>	<u>\$ (497,996)</u>	<u>\$ 434,976</u>	<u>\$ 415,309</u>	<u>\$ 719,121</u>	<u>\$ (97,238)</u>
<b>Business-Type Activities:</b>							
<b>Expenses</b>							
State Lottery	\$ 746,010	\$ 724,915	\$ 726,106	\$ 740,189	\$ 689,426	\$ 665,848	\$ 575,667
Unemployment Compensation	1,719,619	2,216,078	1,292,531	498,318	444,962	412,937	501,098
Petroleum Storage Tank Insurance	13,939	13,925	17,186	21,516	16,249	13,243	25,944
State Fair Fees	3,693	3,843	4,303	3,648	4,189	4,060	3,800
State Parks and DNR	12,256	9,042	14,211	8,178	7,686	12,656	5,456
Historic Preservation	509	1,145	714	403	256	93	267
Missouri Veterans' Homes	76,052	70,884	62,378	57,075	53,215	46,662	58,756
Surplus Property	2,292	2,542	1,759	3,530	3,152	3,086	2,635
Revenue Information	1,193	1,513	5,345	1,090	1,234	871	1,191
Total Expenses	<u>2,575,563</u>	<u>3,043,887</u>	<u>2,124,533</u>	<u>1,333,947</u>	<u>1,220,369</u>	<u>1,159,456</u>	<u>1,174,814</u>
<b>Program Revenues</b>							
Charges for Services:							
State Lottery	1,011,055	984,187	981,431	1,005,421	946,017	925,079	793,750
Other Activities	55,153	56,659	60,015	101,062	65,390	64,624	63,924
Operating Grants and Contributions	1,749,487	1,823,732	967,324	657,534	618,071	603,727	542,984
Total Program Revenues	<u>2,815,695</u>	<u>2,864,578</u>	<u>2,008,770</u>	<u>1,764,017</u>	<u>1,629,478</u>	<u>1,593,430</u>	<u>1,400,658</u>
<b>Total Business-Type Activities</b>							
<b>Net Program (Expense) Revenue</b>	<u>240,132</u>	<u>(179,309)</u>	<u>(115,763)</u>	<u>430,070</u>	<u>409,109</u>	<u>433,974</u>	<u>225,844</u>
<b>General Revenues and Other Changes</b>							
<b>in Net Assets</b>							
Unrestricted Investment Earnings	(1,044)	2,533	10,152	15,424	5,684	(2,189)	3,213
Extraordinary Items	---	---	---	---	---	35	---
Transfers	(265,280)	(258,947)	(257,441)	(264,416)	(256,687)	(258,773)	(207,159)
Total General Revenues and							
Other Changes in Net Assets	<u>(266,324)</u>	<u>(256,414)</u>	<u>(247,289)</u>	<u>(248,992)</u>	<u>(251,003)</u>	<u>(260,927)</u>	<u>(203,946)</u>
<b>Total Business-Type Activities</b>							
<b>Change in Net Assets</b>	<u>\$ (26,192)</u>	<u>\$ (435,723)</u>	<u>\$ (363,052)</u>	<u>\$ 181,078</u>	<u>\$ 158,106</u>	<u>\$ 173,047</u>	<u>\$ 21,898</u>
<b>Total Primary Government</b>							
<b>Change in Net Assets</b>	<u>\$ 956,215</u>	<u>\$ (73,197)</u>	<u>\$ (861,048)</u>	<u>\$ 616,054</u>	<u>\$ 573,415</u>	<u>\$ 892,168</u>	<u>\$ (75,340)</u>

\*Fiscal year 2010 amounts have been restated.

STATE OF MISSOURI  
FUND BALANCES – GOVERNMENTAL FUNDS  
FISCAL YEARS 2005–2011  
(In Thousands of Dollars)

	2011	2010*
<b>General Fund</b>		
Nonspendable	\$ 42,906	\$ 44,158
Restricted	475,188	186,737
Committed	512,623	534,620
Assigned	59,888	51,734
Unassigned	325,146	423,227
<b>Total General Fund</b>	<u>1,415,751</u>	<u>1,240,476</u>
<b>All Other Governmental Funds</b>		
Nonspendable	1,016,981	986,201
Restricted	2,152,507	2,021,223
Committed	284,444	219,557
Assigned	339,189	355,202
<b>Total All Other Governmental Funds</b>	<u>3,793,121</u>	<u>3,582,183</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$ 5,208,872</u>	<u>\$ 4,822,659</u>

\*Fiscal year 2010 amounts have been restated.  
Fiscal years 2005–2009 will not be restated for GASB Statement No. 54.

	2009	2008	2007	2006	2005
<b>General Fund</b>					
Reserved	\$ 589,532	\$ 584,516	\$ 567,880	\$ 526,159	\$ 577,561
Unreserved	716,371	1,310,239	1,289,033	988,240	326,920
<b>Total General Fund</b>	<u>1,305,903</u>	<u>1,894,755</u>	<u>1,856,913</u>	<u>1,514,399</u>	<u>904,481</u>
<b>All Other Governmental Funds</b>					
Reserved	1,218,019	1,112,262	1,068,533	988,493	876,859
Unreserved, Reported in:					
Special Revenue Funds	1,182,724	1,314,796	1,184,853	1,192,431	1,043,965
Capital Projects Funds	540,554	927,694	542,038	213,026	251,124
Permanent Funds	124	116	88	96	87
<b>Total All Other Governmental Funds</b>	<u>2,941,421</u>	<u>3,354,868</u>	<u>2,795,512</u>	<u>2,394,046</u>	<u>2,172,035</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$ 4,247,324</u>	<u>\$ 5,249,623</u>	<u>\$ 4,652,425</u>	<u>\$ 3,908,445</u>	<u>\$ 3,076,516</u>

STATE OF MISSOURI  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEARS 2005–2011  
(In Thousands of Dollars)

	2011	2010*	2009	2008	2007	2006	2005
<b>Revenues:</b>							
Taxes	\$ 9,398,841	\$ 8,987,066	\$ 9,503,743	\$ 10,220,623	\$ 10,030,906	\$ 10,648,213	\$ 9,646,452
Licenses, Fees, and Permits	630,949	637,078	657,725	638,048	574,873	622,911	591,530
Sales	10,131	8,917	10,301	12,064	34,973	11,321	16,849
Leases and Rentals	665	934	448	438	373	155	2,143
Services	272,552	243,998	244,557	231,509	230,173	240,857	182,112
Contributions and Intergovernmental	12,383,008	12,265,891	9,763,754	8,865,962	8,025,979	7,930,499	7,901,109
Investment Earnings:							
Net Increase (Decrease) in the							
Fair Value of Investments	(53)	1,734	(9,565)	6,172	15,758	(113)	3,152
Interest	34,497	44,954	103,068	203,782	185,163	136,876	69,698
Penalties and Unclaimed Properties	54,836	60,284	48,730	64,004	63,151	83,174	25,854
Cost Reimbursement/Miscellaneous	662,184	963,030	739,288	507,021	478,419	427,916	441,555
Total Revenues	23,447,610	23,213,886	21,062,049	20,749,623	19,639,768	20,101,809	18,880,454
<b>Expenditures:</b>							
Current:							
General Government	883,952	889,467	952,780	1,021,589	923,316	850,355	852,997
Education	6,525,986	6,809,217	6,582,393	6,373,671	6,044,098	5,776,495	5,668,542
Natural and Economic Resources	827,512	974,260	894,815	853,872	819,326	759,733	792,650
Transportation and Law Enforcement	1,758,410	1,814,485	1,515,903	1,429,102	1,394,597	1,206,611	1,174,113
Human Services	11,627,776	11,632,371	10,829,000	9,835,109	9,158,585	9,796,523	9,795,983
Capital Outlay:							
General Government	1	5	---	---	321	386	245
Education	---	---	---	---	18,042	21,687	13,769
Transportation and Law Enforcement	1,253,100	1,409,557	1,308,229	1,144,171	1,250,233	1,231,092	903,776
Human Services	---	4	306	3,133	10,248	12,319	7,821
Debt Service:							
Principal	242,497	227,307	219,496	196,669	197,212	170,295	127,264
Interest	225,858	209,428	191,684	186,432	165,470	121,301	120,982
Bond Issuance Costs	1,552	8,101	1,278	2,694	5,775	1,821	---
Underwriter's Discount	437	---	---	390	247	---	326
Arbitrage	42	374	583	---	---	---	---
Total Expenditures	23,347,123	23,974,576	22,496,467	21,046,832	19,987,470	19,948,618	19,458,468
Excess Revenues (Expenditures)	100,487	(760,690)	(1,434,418)	(297,209)	(347,702)	153,191	(578,014)
<b>Other Financing Sources (Uses):</b>							
Proceeds from Capital Leases	6,300	6,675	26,317	52,245	8,794	41,924	53,025
Capital Lease Termination Payment	---	---	---	(22,559)	---	---	---
Debt Issuance	---	1,085,000	142,735	576,800	920,000	350,660	---
Issuance of Refunding Bonds	312,960	---	---	---	394,870	---	157,605
Swap Termination Payment	---	---	---	(11,118)	---	---	---
Payments to Escrow Agent	(351,599)	---	---	---	(433,477)	---	(175,553)
Bond Premium	40,468	30,631	2,835	28,361	77,099	21,336	18,274
Proceeds from Capital Asset Sale	14,703	12,938	11,087	13,142	8,675	6,634	5,920
Transfers In	265,331	259,810	258,568	266,263	257,287	260,967	239,465
Transfers Out	(48)	(738)	(902)	(6,476)	(120,586)	(1,598)	(19,420)
Total Other Financing Sources (Uses)	288,115	1,394,316	440,640	896,658	1,112,662	679,923	279,316
Net Change in Fund Balances	388,602	633,626	(993,778)	599,449	764,960	833,114	(298,698)
Increase (Decrease) in Reserve for Inventory	(2,389)	(279)	(105)	(2,251)	838	(129)	327
<b>Net Change in Fund Balances</b>	<u>\$ 386,213</u>	<u>\$ 633,347</u>	<u>\$ (993,883)</u>	<u>\$ 597,198</u>	<u>\$ 765,798</u>	<u>\$ 832,985</u>	<u>\$ (298,371)</u>
<b>Debt Service as a Percentage of</b>							
<b>Non-Capital Expenditures</b>	2.14%	1.99%	1.96%	1.96%	1.99%	1.59%	1.35%

\*Fiscal year 2010 amounts have been restated.

**STATE OF MISSOURI  
REVENUE BASE – TAXABLE SALES BY INDUSTRY  
FISCAL YEARS 2005–2011**

<b>Taxable Sales by Industry</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Agricultural/Forestry, Fishing, and Other	\$ 201,234,995	\$ 202,810,606	\$ 209,980,903	\$ 192,024,683
Mining	73,001,501	85,194,876	88,867,589	106,892,575
Construction	794,578,753	786,022,254	889,561,095	887,618,876
Manufacturing	2,916,005,779	2,994,039,718	3,203,288,128	2,995,302,916
Transportation and Public Utilities	8,377,819,035	8,347,862,197	8,247,781,684	7,130,631,754
Wholesale Trade	7,636,707,697	5,708,391,048	7,019,606,804	8,028,332,745
Retail Trade	43,451,150,211	42,667,031,160	44,820,794,586	46,413,720,906
Finance, Insurance, and Real Estate	573,590,035	562,957,084	592,136,070	538,271,852
Services	8,712,983,898	8,676,719,865	8,648,622,385	9,212,468,960
State and Local Government	150,984,890	135,174,330	158,765,152	162,520,783
Non-Classifiable	13,130,346	14,230,874	21,079,516	19,669,233
<b>Total Taxable Sales</b>	<b>\$ 72,901,187,140</b>	<b>\$ 70,180,434,012</b>	<b>\$ 73,900,483,912</b>	<b>\$ 75,687,455,283</b>
<b>Direct Sales Tax Rate</b>	<b>4.225%</b>	<b>4.225%</b>	<b>4.225%</b>	<b>4.225%</b>

**Continues Below**

<b>Taxable Sales by Industry</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Agricultural/Forestry, Fishing, and Other	\$ 198,564,812	\$ 190,183,959	\$ 173,064,997
Mining	128,534,001	148,041,999	144,360,458
Construction	929,753,447	929,146,007	781,324,533
Manufacturing	2,862,904,859	3,217,299,757	3,033,835,702
Transportation and Public Utilities	7,673,318,253	7,285,790,054	6,950,561,788
Wholesale Trade	8,338,189,598	8,604,467,502	8,136,436,052
Retail Trade	46,166,130,737	44,878,694,872	42,950,724,459
Finance, Insurance, and Real Estate	529,797,617	533,582,629	507,350,286
Services	8,787,849,846	8,433,450,983	8,015,509,010
State and Local Government	161,631,024	156,947,658	84,808,852
Non-Classifiable	15,518,372	16,694,236	16,301,552
<b>Total Taxable Sales</b>	<b>\$ 75,792,192,566</b>	<b>\$ 74,394,299,656</b>	<b>\$ 70,794,277,689</b>
<b>Direct Sales Tax Rate</b>	<b>4.225%</b>	<b>4.225%</b>	<b>4.225%</b>

Source: Missouri Department of Revenue



**STATE OF MISSOURI  
REVENUE BASE – PERSONAL INCOME BY INDUSTRY  
CALENDAR YEARS 2004–2010**

**Personal Income by Industry  
(In Thousands of Dollars)**

	2010	2009*	2008*	2007*
Farm Earnings	\$ 1,709,096	\$ 1,735,353	\$ 2,376,908	\$ 1,374,784
Agricultural/Forestry, Fishing, and Other	259,939	280,097	303,216	305,046
Mining	337,108	345,372	502,265	440,499
Construction/Utilities	10,654,400	11,282,770	12,515,535	12,386,303
Manufacturing	17,449,834	17,611,348	20,135,244	19,030,882
Transportation and Public Utilities	5,838,538	5,918,622	6,293,066	6,255,137
Wholesale Trade	8,820,611	8,729,474	9,231,282	9,027,671
Retail Trade	10,651,964	10,475,458	10,569,745	10,617,610
Finance, Insurance, and Real Estate	12,357,746	11,766,980	11,669,686	11,183,515
Services	67,010,780	64,769,162	67,546,802	63,543,402
Federal, Civilian	5,962,272	5,704,489	5,354,353	5,011,544
Military	2,706,004	2,862,252	2,595,583	2,323,860
State and Local Government	19,392,966	19,354,397	18,814,524	17,853,285
<b>Total Personal Income</b>	<b>\$ 163,151,258</b>	<b>\$ 160,835,774</b>	<b>\$ 167,908,209</b>	<b>\$ 159,353,538</b>
<b>Total Direct Personal Income Tax Rate</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>

**Continues Below**

**Personal Income by Industry  
(In Thousands of Dollars)**

	2006	2005	2004
Farm Earnings	\$ 1,275,728	\$ 1,418,941	\$ 2,249,533
Agricultural/Forestry, Fishing, and Other	296,794	285,101	298,302
Mining	382,200	493,876	376,755
Construction/Utilities	12,504,699	11,841,236	11,336,058
Manufacturing	19,108,565	18,615,722	18,349,966
Transportation and Public Utilities	6,103,789	5,879,793	5,631,080
Wholesale Trade	8,465,151	8,073,239	7,627,621
Retail Trade	10,540,177	10,325,489	9,996,119
Finance, Insurance, and Real Estate	11,405,949	10,865,949	10,480,778
Services	59,934,255	56,500,169	53,613,041
Federal, Civilian	4,852,757	4,689,078	4,524,741
Military	2,109,152	1,972,637	1,828,320
State and Local Government	16,825,963	16,065,575	15,346,234
<b>Total Personal Income</b>	<b>\$ 153,805,179</b>	<b>\$ 147,026,805</b>	<b>\$ 141,658,548</b>
<b>Total Direct Personal Income Tax Rate</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>

\*Calendar years 2007, 2008, and 2009 have been updated by the Bureau of Economic Analysis.

Source: Bureau of Economic Analysis

**STATE OF MISSOURI  
PERSONAL INCOME TAX REVENUE  
FISCAL YEARS 2005-2011**

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<b>Personal Income Tax Revenue</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Personal Income Tax Revenue	\$782,203,135	\$814,647,826	\$872,343,037	\$804,377,211
Personal Income (Federal AGI)	\$206,107,657,668	\$214,909,582,160	\$254,573,370,206	\$242,481,271,497
Taxable Income	\$147,407,200,244	\$124,489,765,954	\$188,091,389,476	\$172,825,313,183
Average Effective Rate:				
Federal Adjusted Gross Taxable Income	0.38%	0.38%	0.34%	0.33%
	0.53%	0.65%	0.46%	0.47%

**Continues Below**

<b>Personal Income Tax Revenue</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Personal Income Tax Revenue	\$773,375,291	\$662,996,843	\$543,193,091
Personal Income (Federal AGI)	\$215,491,776,833	\$185,705,288,582	\$161,726,939,117
Taxable Income	\$157,963,987,815	\$133,414,355,787	\$114,900,652,083
Average Effective Rate:			
Federal Adjusted Gross Taxable Income	0.36%	0.36%	0.34%
	0.49%	0.50%	0.47%

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

Source: Missouri Department of Revenue

**STATE OF MISSOURI  
PERSONAL INCOME TAX RATES  
FISCAL YEARS 2005–2011**

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**Ranges of Tax Rates on the  
Portion of Taxable Income  
(In Thousands of Dollars)**

	2011	2010	2009	2008	2007	2006	2005
Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Income Levels	1.1–2	1.1–2	1.1–2	1.1–2	1.1–2	1.1–2	1.1–2
Tax Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Income Levels	2.1–3	2.1–3	2.1–3	2.1–3	2.1–3	2.1–3	2.1–3
Tax Rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Income Levels	3.1–4	3.1–4	3.1–4	3.1–4	3.1–4	3.1–4	3.1–4
Tax Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Income Levels	4.1–5	4.1–5	4.1–5	4.1–5	4.1–5	4.1–5	4.1–5
Tax Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Income Levels	5.1–6	5.1–6	5.1–6	5.1–6	5.1–6	5.1–6	5.1–6
Tax Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income Levels	6.1–7	6.1–7	6.1–7	6.1–7	6.1–7	6.1–7	6.1–7
Tax Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Income Levels	7.1–8	7.1–8	7.1–8	7.1–8	7.1–8	7.1–8	7.1–8
Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Income Levels	8.1–9	8.1–9	8.1–9	8.1–9	8.1–9	8.1–9	8.1–9
Tax Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Income Levels	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

Source: Missouri Department of Revenue

**STATE OF MISSOURI  
REVENUE PAYERS BY INDUSTRY  
FISCAL YEARS 2005–2011**

**Sales Tax**

	2011	%	2010	%	2009	%
Agricultural	\$ 8,502,179	0.28%	\$ 8,568,748	0.29%	\$ 8,871,693	0.28%
Mining	3,084,313	0.10%	3,599,484	0.12%	3,754,656	0.12%
Construction	33,570,952	1.09%	33,209,440	1.12%	37,583,956	1.20%
Manufacturing	123,201,244	4.00%	126,498,178	4.27%	135,338,923	4.34%
Transportation & Utilities	353,962,854	11.49%	352,697,178	11.90%	348,468,776	11.16%
Wholesale Trade	322,650,900	10.47%	241,179,522	8.13%	296,578,387	9.50%
Retail Trade	1,835,811,096	59.60%	1,802,682,066	60.80%	1,893,678,571	60.65%
Finance, Insurance, & Real Estate	24,234,179	0.79%	23,784,937	0.80%	25,017,749	0.80%
Services	368,123,570	11.95%	366,591,414	12.36%	365,404,296	11.70%
Government	6,379,112	0.21%	5,711,115	0.19%	6,707,828	0.22%
Non-Classifiable	554,757	0.02%	601,254	0.02%	890,610	0.03%
<b>Total</b>	<b>\$ 3,080,075,156</b>	<b>100.00%</b>	<b>\$ 2,965,123,336</b>	<b>100.00%</b>	<b>\$ 3,122,295,445</b>	<b>100.00%</b>

	2008	%	2007	%	2006	%
Agricultural	\$ 8,113,043	0.25%	\$ 8,389,363	0.26%	\$ 8,035,272	0.26%
Mining	4,516,211	0.14%	5,430,562	0.17%	6,254,774	0.20%
Construction	37,501,898	1.17%	39,282,083	1.23%	39,256,419	1.25%
Manufacturing	126,551,548	3.96%	120,957,730	3.78%	135,930,915	4.32%
Transportation & Utilities	301,269,192	9.42%	324,197,696	10.12%	307,824,630	9.79%
Wholesale Trade	339,197,058	10.61%	352,288,511	11.00%	363,538,752	11.57%
Retail Trade	1,960,979,708	61.32%	1,950,519,024	60.91%	1,896,124,858	60.32%
Finance, Insurance, & Real Estate	22,741,986	0.71%	22,383,949	0.70%	22,543,866	0.72%
Services	389,226,814	12.17%	371,286,656	11.60%	356,313,304	11.34%
Government	6,866,503	0.22%	6,828,911	0.21%	6,631,039	0.21%
Non-Classifiable	831,025	0.03%	655,651	0.02%	705,332	0.02%
<b>Total</b>	<b>\$ 3,197,794,986</b>	<b>100.00%</b>	<b>\$ 3,202,220,136</b>	<b>100.00%</b>	<b>\$ 3,143,159,161</b>	<b>100.00%</b>

	2005	%
Agricultural	\$ 7,311,996	0.25%
Mining	6,099,229	0.20%
Construction	33,010,961	1.10%
Manufacturing	128,179,558	4.29%
Transportation & Utilities	293,661,236	9.82%
Wholesale Trade	343,764,423	11.49%
Retail Trade	1,814,668,108	60.67%
Finance, Insurance, & Real Estate	21,435,550	0.72%
Services	338,655,256	11.32%
Government	3,583,174	0.12%
Non-Classifiable	688,741	0.02%
<b>Total</b>	<b>\$ 2,991,058,232</b>	<b>100.00%</b>

Source: Missouri Department of Revenue

**STATE OF MISSOURI  
PERSONAL INCOME TAX FILERS/LIABILITY  
FISCAL YEARS 2005-2011**

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**Personal Income \***

2011**				
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
\$50,000 and under	3,335,433	77.33%	\$ 1,326,683,118	25.99%
\$50,000 – \$100,000	725,133	16.81%	1,440,565,487	28.23%
\$100,000 – \$250,000	195,951	4.54%	937,767,204	18.37%
\$250,000 – \$1,000,000	46,320	1.08%	650,241,336	12.74%
\$1,000,000 and over	10,398	0.24%	748,681,711	14.67%
<b>Total</b>	<b>4,313,235</b>	<b>100.00%</b>	<b>\$ 5,103,938,856</b>	<b>100.00%</b>

2005**				
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
\$50,000 and under	3,370,705	82.60%	\$ 1,381,799,422	34.47%
\$50,000 – \$100,000	543,861	13.33%	1,124,700,381	28.05%
\$100,000 – \$250,000	124,636	3.05%	616,542,538	15.38%
\$250,000 – \$1,000,000	33,760	0.83%	486,315,065	12.13%
\$1,000,000 and over	7,854	0.19%	399,557,445	9.97%
<b>Total</b>	<b>4,080,816</b>	<b>100.00%</b>	<b>\$ 4,008,914,851</b>	<b>100.00%</b>

\*Federal Adjusted Gross Income

\*\*Per GASB Statement 44 (effective for statistical sections prepared for periods beginning after June 15, 2005), this schedule is to show the current year and nine years ago. Information not available prior to 2005.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

Source: Missouri Department of Revenue

**STATE OF MISSOURI  
RATIOS OF OUTSTANDING DEBT  
FISCAL YEARS 2005-2011  
(In Thousands of Dollars Except Per Capita)**

	2011	2010*	2009	2008	2007	2006	2005
<b>Governmental Activities</b>							
General Obligation Bonds	\$ 487,090	\$ 528,910	\$ 600,075	\$ 666,165	\$ 684,515	\$ 739,935	\$ 790,910
Other Bonds	3,880,975	4,060,855	3,102,685	3,084,670	2,660,875	1,873,140	1,609,815
Leasehold Revenue Bonds	33,880	34,935	35,955	36,935	37,880	38,860	---
Certificates of Participation	77,545	87,550	96,235	105,325	113,990	122,255	124,490
Capital Leases	98,100	97,423	113,147	108,815	74,641	74,049	107,647
<b>Total Governmental Activities</b>	<b>\$ 4,577,590</b>	<b>\$ 4,809,673</b>	<b>\$ 3,948,097</b>	<b>\$ 4,001,910</b>	<b>\$ 3,571,901</b>	<b>\$ 2,848,239</b>	<b>\$ 2,632,862</b>
<b>Business-Type Activities</b>							
Capital Leases	\$ 66	\$ 116	\$ 210	\$ 244	\$ ---	\$ ---	\$ ---
<b>Total Business-Type Activities</b>	<b>\$ 66</b>	<b>\$ 116</b>	<b>\$ 210</b>	<b>\$ 244</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>
<b>Total Primary Government</b>	<b>\$ 4,577,656</b>	<b>\$ 4,809,789</b>	<b>\$ 3,948,307</b>	<b>\$ 4,002,154</b>	<b>\$ 3,571,901</b>	<b>\$ 2,848,239</b>	<b>\$ 2,632,862</b>
Personal Income	\$ 221,650,468	\$ 216,049,019	\$ 223,548,498	\$ 209,131,189	\$ 198,727,013	\$ 186,752,616	\$ 180,546,848
Debt as a Percentage of Personal Income <sup>1</sup>	2.1%	2.2%	1.8%	1.9%	1.8%	1.5%	1.5%
Debt Per Capita <sup>1</sup>	\$ 763	\$ 807	\$ 666	\$ 680	\$ 611	\$ 492	\$ 458
<b>Legal Debt Margin Calculation for Fiscal Year 2011:</b>							
General Obligation Bonds Authorized (Legislative Debt Limit)	\$ 1,726,395						
Unforeseen Emergency or Casual Deficiency	1,000						
Less: General Obligation Issued	(1,489,494)						
Legal Debt Margin	<u>\$ 237,901</u>						
<b>Legal Debt Margin Summary by Fiscal Year:</b>							
Legislative Debt Limit	\$ 1,726,395	\$ 1,726,395	\$ 1,726,395	\$ 1,726,395	\$ 1,686,395	\$ 1,646,395	\$ 1,606,395
Total Net Debt Applicable to Limit	(1,488,494)	(1,488,494)	(1,488,494)	(1,488,494)	(1,438,494)	(1,438,494)	(1,438,494)
Legal Debt Margin	<u>\$ 237,901</u>	<u>\$ 237,901</u>	<u>\$ 237,901</u>	<u>\$ 237,901</u>	<u>\$ 247,901</u>	<u>\$ 207,901</u>	<u>\$ 167,901</u>
Legal Debt Margin to Debt Limit Ratio	13.78%	13.78%	13.78%	13.78%	14.70%	12.63%	10.45%

<sup>1</sup>These ratios are calculated using personal income and population for the calendar year.  
See *Demographic Indicators* for personal income and population data.

\*Fiscal year 2010 has been restated.

STATE OF MISSOURI  
 PLEDGED REVENUE COVERAGE  
 FISCAL YEARS 2006–2011  
 (In Thousands of Dollars)

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Fiscal Year	Gross Revenues <sup>1</sup>	Less: Operating Expenses <sup>2</sup>	Net Available Revenues	Debt Service		Coverage <sup>3</sup>
				Principal	Interest	
Missouri Road Fund						
2011	\$ 2,237,700	\$ 305,649	\$ 1,932,051	\$ 137,015	\$ 146,326	6.8
2010	1,760,497	281,320	1,479,177	88,285	128,851	6.8
2009	997,990	279,971	718,019	84,896	113,591	3.6
2008	1,049,645	279,823	769,822	62,515	105,117	4.6
2007	1,024,787	269,210	755,577	73,350	82,049	4.9
2006	727,870	N/A	727,870	63,149	49,248	6.5

N/A = not available

<sup>1</sup>Revenues for Missouri Road Fund consist of a portion of the taxes and fees received by the State from the motor fuel tax, sales tax on motor vehicles, use tax on motor vehicles, revenue derived from motorists for their usage of the highways of the State, federal grants, and bond proceeds.

<sup>2</sup>Operating Expenses do not include depreciation/amortization.

<sup>3</sup>Coverage equals net available revenue divided by debt service.

Source: Missouri Department of Transportation

**STATE OF MISSOURI  
DEMOGRAPHIC INDICATORS  
CALENDAR YEARS 2004–2010**

	2010	2009	2008	2007
<b>Population</b>				
Missouri (In Thousands)	5,996	5,961	5,924	5,888
Change	0.6%	0.6%	0.6%	0.8%
National (In Thousands)	309,350	306,772	304,094	301,231
Change	0.8%	0.9%	1.0%	1.0%
<b>Total Personal Income</b>				
Missouri				
(In Thousands of Dollars)	\$ 221,650,468	\$ 216,049,019	\$ 223,548,498	\$ 209,131,189
Change	2.6%	–3.4%	6.9%	5.2%
National				
(In Thousands of Dollars)	\$ 12,357,113,000	\$ 11,916,808,000	\$ 12,451,599,000	\$ 11,900,562,000
Change	3.7%	–4.3%	4.6%	5.7%
<b>Per Capita Personal Income</b>				
Missouri	\$ 36,965	\$ 36,243	\$ 37,737	\$ 35,521
Change	2.0%	–4.0%	6.2%	4.4%
National	\$ 39,945	\$ 38,846	\$ 40,947	\$ 39,506
Change	2.8%	–5.1%	3.6%	4.7%
<b>Resident Civilian Labor Force and Employment</b>				
Civilian Labor Force				
(In Thousands)	3,014	3,051	3,046	3,050
Employed (In Thousands)	2,726	2,768	2,861	2,896
Unemployed (In Thousands)	289	283	186	155
Unemployment Rate	9.6%	9.3%	6.1%	5.1%
National Unemployment Rate	9.6%	9.3%	5.8%	4.6%

Continues Below

	2006	2005	2004
<b>Population</b>			
Missouri (In Thousands)	5,843	5,790	5,748
Change	0.9%	0.7%	
National (In Thousands)	298,380	295,517	292,805
Change	1.0%	0.9%	
<b>Total Personal Income</b>			
Missouri			
(In Thousands of Dollars)	\$ 198,727,013	\$ 186,752,616	\$ 180,546,848
Change	6.4%	3.4%	
National			
(In Thousands of Dollars)	\$ 11,256,516,000	\$ 10,476,669,000	\$ 9,928,790,000
Change	7.4%	5.5%	
<b>Per Capita Personal Income</b>			
Missouri	\$ 34,013	\$ 32,253	\$ 31,412
Change	5.5%	2.7%	
National	\$ 37,725	\$ 35,452	\$ 33,909
Change	6.4%	4.6%	
<b>Resident Civilian Labor Force and Employment</b>			
Civilian Labor Force			
(In Thousands)	3,034	3,011	2,986
Employed (In Thousands)	2,888	2,850	2,814
Unemployed (In Thousands)	147	162	172
Unemployment Rate	4.8%	5.4%	5.8%
National Unemployment Rate	4.6%	5.1%	5.5%

Sources: Bureau of Economic Analysis, Missouri Economic Research and Information Center, Bureau of Labor Statistics



**STATE OF MISSOURI  
ECONOMIC INDICATORS  
CALENDAR YEARS 2004-2010**

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
<b>School Enrollment (In Thousands)</b>				
Elementary and Secondary Education	890	892	893	894
Higher Education – Private Institutions	95	93	89	88
Total Enrollment	985	985	982	982
% Change from Prior Year	0.0%	0.3%	0.0%	-0.2%
<b>Higher Education</b>				
<b>Public Community Colleges</b>				
Number of Campuses	19	20	19	19
Number of Students (FTE*)	70,320	65,034	56,365	54,900
Number of Regular Term Teaching Positions (FTE)	1,233	1,402	1,413	1,352
<b>State Technical College</b>				
Number of Campuses	1	1	1	1
Number of Students (FTE)	1,133	1,116	976	891
Number of Regular Term Teaching Positions (FTE)	46	45	45	45
<b>State Colleges/Universities</b>				
Number of Campuses	14	14	14	14
Number of Students (FTE)	114,655	112,539	108,159	106,056
Number of Regular Term Teaching Positions (FTE)	4,296	4,791	4,764	4,731

Continues Below

	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
<b>School Enrollment (In Thousands)</b>			
Elementary and Secondary Education	898	898	892
Higher Education – Private Institutions	86	84	82
Total Enrollment	984	982	974
% Change from Prior Year	0.2%	0.8%	0.3%
<b>Higher Education</b>			
<b>Public Community Colleges</b>			
Number of Campuses	18	18	18
Number of Students (FTE*)	52,377	51,945	52,204
Number of Regular Term Teaching Positions (FTE)	1,332	1,309	1,291
<b>State Technical College</b>			
Number of Campuses	1	1	1
Number of Students (FTE)	888	885	854
Number of Regular Term Teaching Positions (FTE)	57	51	50
<b>State Colleges/Universities</b>			
Number of Campuses	14	14	14
Number of Students (FTE)	103,856	102,628	100,717
Number of Regular Term Teaching Positions (FTE)	4,638	4,578	4,597

\*FTE is Full-Time Equivalent.

Sources: Missouri Department of Elementary and Secondary Education and Missouri Department of Higher Education

**STATE OF MISSOURI  
PRINCIPAL EMPLOYERS  
CALENDAR YEARS 2010 AND 2001**

<b>2010</b>		
<b>Employer</b>	<b>Number of Employees</b>	<b>Percent of Total State Employment</b>
State of Missouri <sup>1</sup>	60,000	2.20%
Wal-Mart Associates, Inc.	40,000 – 45,000	1.47% – 1.65%
University of Missouri	20,000 – 25,000	0.73% – 0.92%
U.S. Post Office	15,000 – 17,500	0.55% – 0.64%
Washington University	15,000 – 17,500	0.55% – 0.64%
Boeing Corporation	12,500 – 15,000	0.46% – 0.55%
U.S. Department of Defense	7,500 – 10,000	0.28% – 0.37%
Barnes-Jewish Hospital	7,500 – 10,000	0.28% – 0.37%
Schnuck Markets, Inc.	7,500 – 10,000	0.28% – 0.37%
City of St. Louis	7,500 – 10,000	0.28% – 0.37%
Department of Veterans Affairs	7,500 – 10,000	0.28% – 0.37%
Total	<u>200,000 – 230,000</u>	<u>7.34% – 8.44%</u>
<b>Total Missouri Employment</b>		<b>2,725,527</b>

<b>2001</b>		
<b>Employer</b>	<b>Number of Employees</b>	<b>Percent of Total State Employment</b>
State of Missouri <sup>1</sup>	65,000	2.27%
Wal-Mart Associates, Inc.	30,000 – 32,500	1.05% – 1.13%
Boeing Corporation	12,500 – 15,000	0.44% – 0.52%
Schnuck Markets, Inc.	10,000 – 12,500	0.35% – 0.44%
Washington University	10,000 – 12,500	0.35% – 0.44%
TWA/American Airlines, L.L.C.	7,500 – 10,000	0.26% – 0.35%
Barnes-Jewish Hospital	7,500 – 10,000	0.26% – 0.35%
May Department Stores	7,500 – 10,000	0.26% – 0.35%
Ford Motor Company	7,500 – 10,000	0.26% – 0.35%
Southwestern Bell Telephone Co.	5,000 – 7,500	0.17% – 0.26%
Total	<u>162,500 – 185,000</u>	<u>5.67% – 6.45%</u>
<b>Total Missouri Employment</b>		<b>2,867,853</b>

All figures are based on a calendar-year average.

<sup>1</sup>Number of state employees includes only full-time personnel and does not include college or university employees.

Sources: Missouri Economic Research and Information Center,  
State of Missouri CAFR-Fiscal Year 2002, State Employee Headcount report

**STATE OF MISSOURI  
STATE EMPLOYEES BY FUNCTION  
FISCAL YEARS 2005-2011  
FULL-TIME EQUIVALENTS\***

	2011	2010	2009	2008	2007	2006	2005
<b>General Government</b>							
Legislature	703	725	716	719	732	749	708
Judiciary	3,393	3,626	3,755	3,731	3,777	3,826	3,452
Public Defender	578	570	558	555	558	561	571
Governor	32	33	24	32	33	34	35
Lt. Governor	6	6	6	6	7	7	8
Secretary of State	253	261	272	277	275	266	262
State Auditor	116	119	124	128	127	132	142
State Treasurer	50	49	51	51	51	51	50
Attorney General	371	408	420	451	443	427	423
Office of Administration	2,139	2,040	2,091	2,046	1,783	868	899
Revenue	1,383	1,421	1,487	1,523	1,586	1,766	2,086
Total General Government	<u>9,024</u>	<u>9,258</u>	<u>9,504</u>	<u>9,519</u>	<u>9,372</u>	<u>8,687</u>	<u>8,636</u>
<b>Education</b>							
Elementary and Secondary							
Education	2,635	2,662	2,760	2,650	2,654	2,719	2,261
Higher Education	65	75	73	67	58	67	73
Total Education	<u>2,700</u>	<u>2,737</u>	<u>2,833</u>	<u>2,717</u>	<u>2,712</u>	<u>2,786</u>	<u>2,334</u>
<b>Natural and Economic Resources</b>							
Agriculture	535	617	494	479	467	456	388
Insurance, Financial Institutions							
and Professional Registration	744	734	741	748	192	200	207
Conservation	1,894	1,982	2,085	2,065	2,190	2,270	2,047
Economic Development	947	1,019	994	1,024	1,604	1,681	1,379
Labor and Industrial Relations	987	924	777	810	913	1,056	1,051
Natural Resources	1,934	1,903	2,121	2,102	2,061	2,175	2,019
Total Natural and Economic							
Resources	<u>7,041</u>	<u>7,179</u>	<u>7,212</u>	<u>7,228</u>	<u>7,427</u>	<u>7,838</u>	<u>7,091</u>
<b>Transportation and</b>							
<b>Law Enforcement</b>							
Transportation	6,399	6,970	6,969	6,961	7,196	7,300	7,024
Public Safety	5,281	5,336	5,412	5,294	5,085	5,101	4,927
Total Transportation and							
Law Enforcement	<u>11,680</u>	<u>12,306</u>	<u>12,381</u>	<u>12,255</u>	<u>12,281</u>	<u>12,401</u>	<u>11,951</u>
<b>Human Services</b>							
Health and Senior Services	1,706	1,826	1,927	1,885	1,877	1,969	2,048
Mental Health	8,256	8,961	9,613	9,500	9,602	9,784	9,571
Social Services	7,562	8,138	8,584	8,624	8,553	8,794	9,034
Corrections	10,990	11,175	11,364	11,020	11,138	11,235	11,493
Total Human Services	<u>28,514</u>	<u>30,100</u>	<u>31,488</u>	<u>31,029</u>	<u>31,170</u>	<u>31,782</u>	<u>32,146</u>
State Total	<u>58,959</u>	<u>61,580</u>	<u>63,418</u>	<u>62,748</u>	<u>62,962</u>	<u>63,494</u>	<u>62,158</u>

\*Based on a four quarter average.

Source: Office of Administration, Division of Accounting, Statewide Indirect Cost Allocation Plan

**STATE OF MISSOURI  
OPERATING INDICATORS BY FUNCTION  
FISCAL YEARS 2006-2011**

	2011	2010**	2009	2008	2007	2006
<b>General Government</b>						
Individual Income Tax Returns Processed (In Thousands)	2,917	2,877	2,946	3,013	3,902	2,770
Sales and Use Tax Returns Processed (In Thousands)	773	785	772	788	1,055	742
Driver Licenses Processed (In Thousands)	1,160	1,090	1,179	964	1,052	1,106
Motor Vehicle Registrations Processed (In Thousands)	3,828	3,844	3,502	3,866	3,856	2,994
Audit Reports Issued	168	151	101	91	88	103
Statewide Court Filings (In Thousands)*	2,525	2,359	2,322	2,196	2,027	2,152
Business Services Requests made on Secretary of State Web Page (In Thousands)	81,643	79,974	76,744	44,300	36,000	35,000
Checks Issued (In Thousands)	2,216	2,465	2,667	2,807	3,035	3,309
Unclaimed Property Returned (In Thousands)	\$ 36,373	\$ 35,014	\$ 26,672	\$ 34,531	\$ 22,966	\$ 21,816
<b>Education</b>						
High School Drop Out Rate*	4.0%	4.1%	3.9%	4.2%	4.7%	3.8%
Elementary and Secondary Schools Meeting Adequate Yearly Progress*	25.6%	35.3%	35.7%	40.1%	62.6%	65.2%
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	56.0%	61.0%	67.1%	67.7%	70.2%	67.6%
Guaranteed Student Loans (In Thousands)****	\$ ---	\$ 656,656	\$ 780,838	\$ 901,385	\$ 1,178,692	\$ 1,162,519
Scholarships/Grants Awarded to Eligible Missouri Residents (In Thousands)	\$ 91,146	\$ 98,593	\$ 108,981	\$ 89,728	\$ 41,466	\$ 41,845
<b>Natural and Economic Resources</b>						
Job Placement Rate of Unemployed Individuals that Registered on MissouriCareerSource Web Page	58.2%	57.9%	64.0%	66.0%	62.0%	63.3%
Insurance Policies Filed Electronically	96.0%	96.0%	94.7%	50.0%	50.0%	50.0%
Initial Unemployment Claims (In Thousands)	502	582	565	396	411	393
International Agricultural Exports (In Thousands)	\$ 15,000	\$ 38,000	\$ 22,700	\$ 30,300	\$ 19,760	\$ 18,191
Hunting License Holders (In Thousands)*	588	592	591	580	579	570
Visitors to Missouri State Parks and Historic Sites (In Thousands)	16,363	15,891	15,307	15,577	16,069	16,650
<b>Transportation and Law Enforcement</b>						
Methamphetamine Labs Seized	340	245	165	274	259	375
State - Licensed Fire Safety Inspections	11,487	10,603	11,008	11,998	11,684	9,848
Buildings Served by Missouri Capitol Police	73	75	83	82	82	79
Alcohol Arrests***	---	385	845	736	954	1,084
Missouri Major Roads Rated in Good Condition	85.8%	86.5%	83.4%	78.0%	74.0%	60.8%
Difference Between Awarded and Actual Transportation Construction Costs	(0.4%)	(1.9%)	1.1%	0.9%	0.9%	3.1%
<b>Human Services</b>						
Medicaid Enrollees	897,306	892,691	850,722	833,112	822,685	830,262
Food Stamp Recipients	949,136	909,139	827,639	899,332	826,313	795,963
Doses of Vaccine Issued by Vaccines for Children Providers (In Thousands)	1,420	1,384	1,317	1,360	1,097	1,075
Incarcerated Offenders	30,771	30,418	30,476	30,803	29,975	30,185
Individuals Served in State Comprehensive Psychiatric Service Facilities	2,170	4,120	6,759	6,882	7,805	7,772

\*Previous fiscal year data was used since it was the most recent available.

\*\*Restated for Doses of Vaccine Issued by Vaccines for Children Providers.

\*\*\*Number of Alcohol Arrests is zero due to a loss of grant funding to perform alcohol compliance buys.

\*\*\*\*Total loans guaranteed during fiscal year 2011 was zero, as the authority to ensure loans ended June 30, 2010, due to the enactment of the Health Care and Education Affordability Reconciliation Act. However, the Department of Higher Education will continue to act as the US Department of Education's agent in fulfilling responsibilities relating to outstanding guarantees, which totaled \$3.0 billion as of June 30, 2011.

Sources: State agencies

**STATE OF MISSOURI  
CAPITAL ASSET STATISTICS  
BY FUNCTION  
FISCAL YEARS 2005-2011**

	2011	2010*	2009	2008	2007	2006	2005
<b>General Government</b>							
Parcels of Land	20	20	21	21	20	18	15
Land Improvements	38	38	37	37	35	35	31
Square Footage of Buildings	1,013,314	1,011,732	1,015,214	1,001,281	996,590	991,800	1,071,699
Equipment	35,316	35,333	36,813	35,171	42,333	44,469	49,644
Software	213	168	88	---	---	---	---
<b>Education</b>							
Parcels of Land	31	31	31	31	32	32	32
Land Improvements	43	43	32	31	31	31	29
Square Footage of Buildings	136,465	133,494	135,230	135,230	135,230	102,719	134,162
Equipment	5,984	5,911	6,031	6,010	6,679	6,780	6,723
Trademarks	1	---	---	---	---	---	---
<b>Natural and Economic Resources</b>							
Parcels of Land	825	824	823	815	811	815	812
Land Improvements	324	323	325	323	318	320	216
Temporary Easements	1	1	---	---	---	---	---
Square Footage of Buildings	616,729	622,181	622,285	625,779	622,887	528,136	370,505
Equipment	36,097	36,881	38,807	41,145	43,534	46,574	46,915
Software	20	12	3	---	---	---	---
State Parks and Historic Sites	85	85	85	84	84	84	84
State Conservation Areas	1,196	1,179	1,169	1,165	1,151	1,148	1,140
<b>Transportation and Law Enforcement</b>							
<b>Law Enforcement</b>							
Parcels of Land	805	819	831	836	853	862	1,608
Land Improvements	307	264	245	198	184	177	183
Permanent Easements	254	221	---	---	---	---	---
Temporary Easements	961	1,086	---	---	---	---	---
Square Footage of Buildings	175,138	164,119	164,119	151,533	158,081	157,658	157,172
Equipment	67,649	67,959	67,100	65,074	63,327	62,984	61,965
Software	202	146	---	---	---	---	---
Miles of State Highway	33,702	33,639	33,676	33,685	32,800	32,423	32,402
State-Owned Bridges and Culverts	10,405	10,335	10,249	10,276	10,240	10,224	10,190
Highway Patrol Stations	9	9	9	9	9	9	9
<b>Human Services</b>							
Parcels of Land	83	83	84	84	84	83	85
Land Improvements	157	154	130	118	115	115	112
Square Footage of Buildings	924,380	932,827	952,117	962,710	967,653	870,129	834,352
Equipment	63,442	70,684	78,543	91,178	98,649	107,434	106,334
Software	13	10	7	---	---	---	---
Correctional Facilities	30	30	30	28	26	26	24

\*Restated fiscal year 2010 for Temporary Easements under Transportation and Law Enforcement.

Source: State of Missouri capital asset records by agency.

STATE OF MISSOURI  
ACKNOWLEDGEMENTS

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**Report Prepared by:**

***Financial Reporting Section***

Jessica L. Opie, *CPA, Assistant Director*  
Lynn M. Cannon, *CPA, Manager*  
Nikol A. Enyart, *Specialist*  
Christina R. Evans, *Specialist*  
Curtis N. Forck, *Specialist*  
Diane M. Jurgensmeyer, *CGFM, Specialist*  
Shawn P. McCauley, *CGFM, Specialist*  
Sarah A. Parker-Fullmer, *Specialist*  
Krista G. Porter, *Specialist*  
Jessica K. Prater, *Analyst*  
Velda M. Staley, *Administrative Assistant*



# Thomas A. Schweich

Missouri State Auditor

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## Madison County

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January 2012  
Report No. 2012-01



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Madison County

### Prosecuting Attorney

Prior audit reports have identified inadequacies in the Prosecuting Attorney's office procedures, and significant weaknesses still exist. The duties of receiving, recording, and depositing monies, and reconciling bank accounts were not adequately segregated or reviewed, providing less assurance all transactions were accounted for properly. The office did not maintain a complete record of monies received, receipts were only issued for monies paid in person, and these were manual receipts which were not always issued in numerical order.

The Prosecuting Attorney's office did not deposit monies timely and intact and could not account for \$12,284 received during the 2 years ended December 31, 2010. As of July 19, 2011, the current Prosecuting Attorney had located 20 undeposited money orders totaling \$1,973. The office also did not maintain adequate records to document monies disbursed to victims or merchants. Our review uncovered \$4,502 which had not been disbursed, and the current Prosecuting Attorney found another \$2,033 in checks which had been written to victims or merchants, but neither voided nor mailed.

Formal bank reconciliations were not documented for the three bank accounts, and liabilities were not identified and reconciled with cash balances, making it unlikely errors would be detected and corrected timely. The Prosecuting Attorney's office did not adequately monitor court ordered restitution due from defendants and only tracked amounts due by making notes on copies of money orders instead of maintaining a complete accounts receivable list.

### Sheriff Inmate and Commissary Monies

The Sheriff's Department did not adequately segregate the duties of receiving, recording, and depositing inmate and commissary monies, and the Sheriff did not perform a detailed supervisory review to ensure all monies received were properly deposited or placed in the respective inmates' cash envelopes. The Sheriff did not maintain a receipt log or issue prenumbered receipt slips for inmate monies, so there was no assurance all monies were accounted for properly. Likewise, the Sheriff did not maintain centralized records of commissary sales and receipts, and commissary receipts were not deposited timely and intact, increasing the risk of theft or loss. Similar conditions were noted in our prior audit report.

### Public Administrator

The Public Administrator is the court appointed personal representative for wards and decedent estates of the Associate Circuit Court, Probate Division. The Public Administrator signed blank checks for a ward's caretaker to purchase groceries, increasing the risk of misuse, and did not ensure the payees on these checks were accurately reported on the annual settlement. Cash advances were provided to three wards without adequate supporting documentation to show the wards received the monies. In addition, the Public Administrator had not petitioned the court for fees to be paid to the county General Revenue Fund from applicable wards and estates.



Recorder of Deeds	The Recorder of Deeds did not prepare formal bank reconciliations or maintain a book balance and was unaware the book balance was negative \$934 at the end of August 2011. The Recorder of Deeds identified receipts which had been recorded and disbursed twice and was able to resolve the negative balance. The Recorder of Deeds did not ensure the composition of receipts matched the composition of deposits, making it difficult to ensure all monies were properly recorded and deposited.
Computer Controls	Electronic programs and data files in the offices of the County Collector, County Assessor, and Recorder of Deeds are at an increased risk of unauthorized access, because employees are not required to periodically change their passwords, the number of incorrect log-on attempts allowed is not limited, and the computers do not lockout after a certain period of inactivity.
Closed Minutes	The county did not always comply with the Sunshine Law. Reasons for closing meetings, and the corresponding vote to do so, were not always documented, and some topics discussed in closed session were not allowed.

In the areas audited, the overall performance of this entity was **Fair**.<sup>\*</sup> However, the audit revealed serious shortcomings with the Prosecuting Attorney.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Madison County Council for the Developmentally Disabled received \$3,977 under Title V, Section 5001 of the Recovery Act for Medicaid expenditures reported between October 1, 2008, and December 31, 2010.
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<sup>\*</sup>The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Madison County

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# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

To the County Commission  
and  
Officeholders of Madison County

We have audited certain operations of Madison County in fulfillment of our duties under Section 29.230, RSMo. In addition, Daniel Jones & Associates, Certified Public Accountants, was engaged to audit the financial statements of Madison County for the 2 years ended December 31, 2010. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant management and financial functions.
2. Evaluate the county's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the county's management and was not subjected to the procedures applied in our audit of the county.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of Madison County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Julie Vollmer, CPA, CIA
Audit Staff:	Albert Borde-Koufie, MBA
	M. M. Williams

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# Madison County

## Management Advisory Report

### State Auditor's Findings

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#### **1. Prosecuting Attorney**

Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's office procedures and significant weaknesses still exist. The Prosecuting Attorney's office collected various fees related to bad checks, victim restitution, and delinquent taxes totaling approximately \$72,000 and \$100,000 during the years ended December 31, 2010 and 2009, respectively. A new Prosecuting Attorney took office in January 2011.

##### **1.1 Segregation of duties**

The duties of receiving, recording, and depositing monies, and reconciling bank accounts are not adequately segregated. One clerk is primarily responsible for all of these duties, and a documented supervisory review of the accounting records is not performed. As a result, there is less assurance all transactions are accounted for properly and accounting records are complete and accurate.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Prosecuting Attorney should implement a documented independent or supervisory review to ensure the bank records are in agreement with the accounting records.

##### **1.2 Receipts**

The Prosecuting Attorney's office does not maintain a complete record of receipts. The former Prosecuting Attorney did not record receipts consistently. Receipts were sometimes recorded on manual receipt slips, sometimes recorded in the computer system, and sometimes recorded both on manual receipt slips and in the computer system. Beginning in January 2011, the Prosecuting Attorney's office does not use the computer system to issue receipts and only issues manual receipt slips for monies paid in person. Therefore, monies received in the mail are not receipted and there is no overall record of receipts. In addition, the Prosecuting Attorney's office does not always issue receipt slips in numerical order or account for them properly.

To ensure all monies collected are accounted for properly, the office should issue prenumbered receipt slips in sequential order for all monies received.

##### **1.3 Deposits**

The Prosecuting Attorney's office does not reconcile the amount and composition of recorded receipts to deposits. The former Prosecuting Attorney also did not deposit intact timely, but normally made deposits once a month. As a result of these control weaknesses, the Prosecuting Attorney's office was not able to account for some monies received.

- During our review of the 118 manual receipts issued during the 2 years ended December 31, 2010, we noted the disposition of monies recorded on 75 manual receipts totaling \$12,284 could not be determined. The Prosecuting Attorney's normal procedure is to deposit monies and issue checks to victims and merchants. We reviewed deposits to all three bank



## Madison County Management Advisory Report - State Auditor's Findings

accounts for two subsequent months after the receipt dates and did not find where these monies were deposited. In addition, these receipts were not recorded in the computer system.

- As of July 19, 2011, the current Prosecuting Attorney had located 20 undeposited money orders totaling \$1,973, with the oldest dated August 7, 2007.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, the composition of receipts should be reconciled to the composition of deposits and deposits should be made intact and timely.

### 1.4 Disbursements

The Prosecuting Attorney's office did not always maintain adequate records to document receipts subsequently disbursed to victims or merchants. During our review of receipts and related disbursements, we noted 14 receipts totaling \$4,502 which do not appear to have been disbursed until the Prosecuting Attorney investigated them at our request. For example, \$500 received on February 24, 2011, was not disbursed until October 27, 2011.

In addition, the former Prosecuting Attorney prepared some checks that were not distributed to victims or merchants in a timely manner. As of July 19, 2011, the current Prosecuting Attorney has located six checks (totaling \$2,033) which were written by the former Prosecuting Attorney, but neither voided nor mailed, with the oldest dated January 12, 2009.

The Prosecuting Attorney should follow up on transactions noted in sections 1.3 and 1.4 and take steps to review all receipt and disbursement information to ensure all amounts received have been properly disbursed to victims or merchants. Procedures should be established to ensure receipts are disbursed to the victims or merchants in a timely manner and adequate documentation is maintained.

### 1.5 Bank reconciliations and liabilities

Numerous control weaknesses were noted related to bank reconciliations and liabilities. At October 31, 2011, the bank balances were \$10,786, \$8,761, and \$16,816 in the bad check, restitution, and special bank accounts, respectively.

Although the current Prosecuting Attorney's assistant indicated she reviews the bank statements to ensure all deposits and checks are included, formal bank reconciliations are not documented for the three bank accounts. Beginning in January 2011, the Prosecuting Attorney's office has not maintained book balances for the three bank accounts. In addition, liabilities are not identified and reconciled with cash balances. Although we requested bank reconciliations and a list of liabilities, they were not provided.



Madison County  
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The former Prosecuting Attorney maintained book balances for all three bank accounts. However, bank reconciliations and lists of liabilities could not be located.

Without maintaining a cumulative book balance and preparing monthly bank reconciliations, there is little assurance cash receipts and disbursements have been properly handled and recorded, or bank or book errors will be detected and corrected in a timely manner. Without regular identification and comparison of liabilities to the reconciled cash balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished.

## 1.6 Accounts receivable

The Prosecuting Attorney's office is not adequately monitoring court ordered restitution due from defendants and accounts receivable records need improvement. Cases are not adequately monitored by the current Prosecuting Attorney. Current personnel indicated they rely on the Probation Officer to ensure payment is received for any unpaid amounts. The Prosecuting Attorney's office also does not maintain a complete accounts receivable list. The current Prosecuting Attorney tracks the balance owed through notations made on copies of the money orders received and no other accounts receivable records are maintained. In addition, accounts receivable records maintained by the former Prosecuting Attorney do not always have accurate balances because some payments were not posted or the assessed amount does not agree with the amount ordered by the court. For example, one individual's restitution owed per the accounts receivable records was \$1,465 while the court ordered amount was \$1,200.

Proper monitoring of accounts receivable is necessary to provide information to the judge and improve accountability.

## Similar conditions previously reported

Similar conditions to sections 1.2, 1.5, and 1.6 were noted in our prior audit report.

## Recommendations

The Prosecuting Attorney:

- 1.1 Adequately segregate accounting duties to the extent possible or ensure supervisory reviews of accounting records are performed and documented.
- 1.2 Require prenumbered receipt slips be issued for all monies received and the numerical sequence accounted for properly.
- 1.3 Reconcile the composition of receipts to the composition of deposits and deposit monies intact on a timely basis.



Madison County  
Management Advisory Report - State Auditor's Findings

- 1.4 Follow up on transactions noted in sections 1.3 and 1.4 and review all receipt and disbursement information to ensure all amounts paid have been properly disbursed to victims or merchants. The Prosecuting Attorney should also establish procedures to ensure receipts are disbursed to victims or merchants in a timely manner and adequate documentation is maintained.
- 1.5 Maintain records of account balances, prepare monthly bank reconciliations, and reconcile to lists of liabilities.
- 1.6 Better monitor unpaid restitution and take steps to maximize collections.

## Auditee's Response

*The Prosecuting Attorney provided the following responses:*

- 1.1 *My office does not have adequate staff to segregate duties. I will start performing documented reviews.*
- 1.2 *We now issue manual receipt slips for all monies received. We have also started recording all receipts in the computer system.*
- 1.3 *We are now depositing all monies at least weekly and reconciling the composition of deposits to the composition of receipt slips. We will work to resolve the issues with the old outstanding monies.*
- 1.4 *We are now immediately disbursing monies when received. We are working on reviewing receipt and disbursement information.*
- 1.5 *We will start maintaining account balances and performing bank reconciliations in January 2012. We will also work on preparing a list of liabilities.*
- 1.6 *We have developed a centralized accounts receivable log for cases for which payments have been made.*

## 2. Sheriff Inmate and Commissary Monies

Prior audit reports have addressed the inadequacy of the Sheriff's procedures. Although some improvements have been made, significant weaknesses still exist related to inmate and commissary monies.

The Sheriff operates a jail with a 36 inmate capacity. The Sheriff keeps inmate monies in inmate property envelopes. Monies received, commissary purchases made, and the available cash balance are recorded on a manual record for each inmate. The Sheriff's department purchases commissary items to sell to jail inmates. When inmates purchase items from the commissary, the cash receipts are kept in a lockbox and money orders are kept in a money bag in the vault until deposited to the commissary account





## Madison County Management Advisory Report - State Auditor's Findings

and used to replenish commissary items. Monies in the commissary account are periodically turned over to the county treasury. The Sheriff's department deposited approximately \$38,000 into the commissary account during the 2 years ended December 31, 2010.

### 2.1 Supervisory review

The duties of receiving, recording, and depositing monies are not adequately segregated. Because the jailer is primarily responsible for all of these duties, routine and thorough supervisory reviews are essential. The Sheriff does not perform detailed reviews to ensure all monies received are properly deposited or placed in the respective inmates' cash envelopes, recorded in the accounting records, and disbursed to the appropriate party. Such comparisons would improve the effectiveness of the supervisory review and reduce the possibility of errors, loss, or misuse of funds occurring and/or going undetected.

Thorough supervisory reviews help ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be strengthened by the Sheriff expanding his supervisory reviews to include the receipting, depositing, and recording functions. Documentation of such reviews is necessary to demonstrate their performance.

### 2.2 Inmate and commissary monies

The Sheriff holds inmate monies in cash and does not maintain adequate records to ensure monies are accounted for properly. In addition, monies received from commissary sales are not deposited timely. A cash count of inmate monies performed on July 25, 2011, revealed cash of \$201 and a \$50 money order. A cash count of commissary monies performed on July 25, 2011, revealed cash of \$661 in the lockbox and money orders of \$260.

- The Sheriff does not maintain a receipt log or issue prenumbered receipt slips for inmate monies received. Although monies received are recorded on a manual record for each inmate, there is no centralized record of inmate monies collected by the Sheriff's department. As a result, there is no assurance all monies are accounted for properly.
- The Sheriff does not maintain centralized records of commissary sales and receipts. As a result, the Sheriff's department is unable to ensure all commissary receipts are accounted for properly and deposited.
- Commissary receipts are not deposited on a timely basis. When inmates make commissary purchases with cash, the jailer removes the appropriate amount of cash from the inmate property envelope which is placed in the commissary lockbox. The jailer deposits the lockbox monies into the commissary bank account when she believes there is too much cash in the lockbox. When an inmate has a money order available for commissary purchases, the jailer will remove the money order from the inmate's property envelope and replace it with the appropriate



## Madison County Management Advisory Report - State Auditor's Findings

amount of change from the lockbox. Then the jailer will have the inmate endorse the money order to the Sheriff's department. These money orders are not placed in the lockbox; rather, they are placed in a money bag in the vault until a deposit is made. There is no record maintained to track the cash in the lockbox or the money orders on hand.

- Commissary deposit slips do not itemize the individual receipts deposited, and the composition of receipts is not reconciled to the composition of deposits.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies immediately upon receipt or, at a minimum, monies should be recorded in a receipt log when received; records of commissary sales and receipts should be maintained; commissary receipts should be deposited timely; and the composition of commissary receipts should be reconciled to the composition of deposits.

Similar conditions were noted in our prior audit report.

## Recommendations

The Sheriff:

- 2.1 Expand supervisory reviews to include periodic documented reviews of the receipting, depositing, and recording functions.
- 2.2 Ensure prenumbered receipt slips are issued or a receipt log is maintained for all inmate monies received, commissary sales and receipt records are maintained, commissary receipts are deposited timely, and the composition of commissary receipts is reconciled to the composition of deposits.

## Auditee's Response

*The Sheriff provided the following responses:*

- 2.1 *I will start doing this on January 1, 2012.*
- 2.2 *For short term inmates, the monies will be treated as property. The Sheriff's office will start depositing other inmate monies on January 1, 2012. Receipt slips will be issued for inmate monies and a log will be maintained for commissary sales and the composition of receipts will be reconciled to the composition of deposits.*

## 3. Public Administrator

Details provided for some annual settlement transactions were inaccurate, and procedures related to some disbursements and cash advances are not adequate. In addition, fees are not assessed to any cases. The Public Administrator is the court appointed personal representative for wards and decedent estates of the Associate Circuit Court, Probate Division. During



Madison County  
Management Advisory Report - State Auditor's Findings

the 2 years ended December 31, 2010, the Public Administrator handled approximately 11 cases.

### 3.1 Annual settlements

During our review of the most current annual settlement filed for the five wards who receive spending monies, the following weaknesses were noted:

- The Public Administrator signs blank checks and gives them to one ward's caretaker to purchase groceries. The payee and amount are added to the check when the groceries are purchased by the caretaker. In addition, the Public Administrator did not ensure the payees on these checks were accurately reported on the annual settlement. Approximately 50 checks made payable to a grocery store were reported as payments to the ward or cash. Signing blank checks in advance increases the risk of misuse of monies.
- The Public Administrator provided cash advances to three wards for spending money without obtaining adequate supporting documentation. As a result, there is no evidence the wards received these monies. For one settlement reviewed, the ward was issued spending monies 60 times during the year for a total of approximately \$3,200.

The Associate Circuit Judge indicated annual settlements filed by the Public Administrator were reviewed by the court and the court was aware of these issues, but did not require the Public Administrator to correct the settlements or provide additional documentation.

To ensure the financial activity of the estates is accurately reported to the court, all disbursement details should be accurately reflected on the annual settlements. To reduce the risk of misuse of monies, the Public Administrator should maintain adequate supporting documentation for cash advances, and should discontinue the practice of signing blank checks. Careful review by the court is necessary to reduce the risk that errors or misuse of funds is undetected.

### 3.2 Fees

The Public Administrator has not petitioned the court to be paid any fees from the accounts of active wards and estates. When the Public Administrator receives a salary from the county, state law allows for fees assessed by the Associate Circuit Court on Public Administrator cases to be paid to the county General Revenue Fund.

To ensure all fees are properly assessed and transmitted to the county, the Public Administrator should work with the Associate Circuit Judge to ensure fees are petitioned from the court for all applicable wards and estates on a timely basis, approved, properly monitored, and paid to the extent possible.



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## Recommendations

### The Public Administrator:

- 3.1 Discontinue the practice of signing blank checks. The Public Administrator should also ensure annual settlements are accurately prepared and disbursements are supported by adequate documentation. The Associate Circuit Judge should establish procedures to ensure annual settlements filed with the court accurately reflect disbursements and disbursements are supported by appropriate documentation.
- 3.2 Work with the Associate Circuit Judge to ensure fees are paid to the county for all applicable estates and wards on a timely basis.

## Auditee's Response

*The Associate Circuit Judge and the Public Administrator provided the following responses:*

- 3.1 *The court was aware of these situations and this was discussed with the Public Administrator. In the future, the Public Administrator will ensure annual settlements agree with canceled checks. Beginning in January 2012, the Public Administrator makes the checks payable to the grocery store before giving them to the caretaker and the amount is filled in at the time of purchase.*
- 3.2 *The Public Administrator does not believe any of the wards have enough monies for fees. The Public Administrator will work with the Associate Circuit Judge to develop a policy or threshold of assets for fees.*

## 4. Recorder of Deeds

The Recorder of Deeds did not maintain a book balance and did not prepare formal bank reconciliations. In addition, the composition of recorded receipts was not reconciled to the composition of deposits. The Office of Recorder of Deeds collected various fees related to recording documents such as marriage licenses and deeds totaling approximately \$87,000 annually during the 2 years ended December 31, 2010.

### 4.1 Reconciliation procedures

The Recorder of Deeds indicated she reviewed bank statements to ensure all deposits and checks were included; however, formal bank reconciliations were not prepared and a book balance was not maintained. At our request in July 2011, the Recorder of Deeds started maintaining a book balance and performed bank reconciliations from January 2011 through July 2011.

As a result of not maintaining a book balance, the Recorder of Deeds was not aware she had a negative book balance of \$934 at the end of August 2011. The Recorder of Deeds identified receipts from the past several years which had been recorded and disbursed twice and resolved the negative balance.



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Management Advisory Report - State Auditor's Findings

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Without maintaining a cumulative book balance and preparing monthly bank reconciliations, there is less assurance cash receipts and disbursements are properly handled and recorded or bank or book errors are detected and corrected in a timely manner.

## 4.2 Deposits

While all receipts are recorded in the computer system and the method of payment is indicated, the Recorder of Deeds does not ensure the composition of receipts agrees to the composition of deposits. Reconciling the composition of receipts to the deposit is necessary to ensure all monies are properly recorded and deposited intact.

## Recommendations

The Recorder of Deeds:

- 4.1 Maintain records of account balances, prepare monthly bank reconciliations, and properly monitor bank account activity.
- 4.2 Reconcile the composition of receipts recorded in the computer system to the composition of deposits.

## Auditee's Response

*The Recorder of Deeds provided the following responses:*

- 4.1 *Beginning in July 2011, I have been maintaining an account balance and performing monthly bank reconciliations. The bank account now has a zero balance after payments are made each month.*
- 4.2 *A computer change will be made in January 2012, so the printout will show total daily receipts by cash and check.*

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## 5. Computer Controls

Controls over computer systems are not sufficient to prevent unauthorized access.

### 5.1 Passwords

Employees in the Offices of County Collector, County Assessor, and Recorder of Deeds are not required to periodically change their passwords. Passwords are only changed in these offices when there is a new official, a new server, or computer issues.

The lack of an effective system of passwords may allow unauthorized access and/or changes to the system. Requiring passwords to be periodically changed provides more assurance that passwords will effectively limit access to only those individuals who need access for completion of job responsibilities and reduce the possibility of unauthorized users.

A similar condition was noted in our prior audit report.



Madison County  
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## 5.2 Log-on attempts

Offices of the County Collector, County Assessor, and Recorder of Deeds do not have security controls in place to detect or prevent incorrect log-on attempts. An unauthorized individual could try an infinite number of times to log on the system and, if successful, have unrestricted access to programs and data files. In addition, the computers are not locked after a certain period of inactivity.

To help protect computer files, security controls should be implemented to detect incorrect log-on attempts after a certain number of tries and lock computers after a certain period of inactivity. Such controls should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

## Recommendations

The County Collector, County Assessor, and Recorder of Deeds:

- 5.1 Require all employees to periodically change passwords.
- 5.2 Establish security controls to detect and report incorrect log-on attempts after a certain number of tries and locks computers after a certain period of inactivity.

## Auditee's Response

*The County Collector provided the following responses:*

- 5.1 *Passwords will now be required to be changed quarterly.*
- 5.2 *Computers now lock after a certain period of inactivity and a certain number of incorrect log-on attempts.*

*The County Assessor provided the following responses:*

- 5.1 *I will check with the computer programmer to establish procedures to require passwords be changed periodically. I am concerned about work flow inefficiency, but will consider lockout after inactivity.*
- 5.1 *I will check with the computer programmer to establish procedures to detect or prevent incorrect log-on attempts.*

*The Recorder of Deeds provided the following responses:*

- 5.1 *I will contact the computer programmer and ask him to require passwords be periodically changed.*
- 5.2 *This has now been implemented.*



Madison County  
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## 6. Closed Minutes

County procedures related to closed meetings were not always in compliance with the Sunshine Law. The County Commission held 19 closed meetings during 2009 and 2010. The following problems were noted regarding some of these meetings.

- Reasons for closing meetings and the corresponding vote to close the meeting were not always documented. During the 2 years ended December 31, 2010, the open meeting minutes did not include a vote to close the meeting for three closed meetings and a reason for closing the meeting was not included for two other closed meetings.
- The County Commission closed a meeting in August 2009 to open bids for a bank loan and closed another meeting to discuss and sign the loan agreement a week later. The Sunshine Law does not allow these topics to be discussed in closed session and does not allow these actions to be taken in closed session.

Chapter 610, RSMo, provides the question of holding a closed meeting and the reason for the closed meeting be voted in an open meeting and requires minutes be prepared for all closed meetings. The law also provides guidance on which discussion topics and actions are allowable in closed meetings.

## Recommendation

The County Commission ensure items discussed in closed meetings comply with the Sunshine Law and ensure open meeting minutes document the reason and the corresponding vote for entering closed session.

## Auditee's Response

*The County Commission provided the following response:*

*We will do this in the future.*

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# Madison County

## Organization and Statistical Information

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Madison County is a county-organized, third-class county. The county seat is Fredericktown.

Madison County's government is composed of a three-member county commission and separate elected officials performing various tasks. All elected officials serve 4-year terms. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The county employed 49 full-time employees and 10 part-time employees on December 31, 2010.

In addition, county operations include the Senate Bill 40 Board, the Law Enforcement Restitution Board, and the Domestic Violence Board. Also, the county has 911 operations.

### Elected Officials

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below:

Officeholder	2011	2010
John Rauls, Presiding Commissioner	\$	27,080
Dennis Bradford, Associate Commissioner		25,080
Larry Mungle, Associate Commissioner		25,080
Paula Francis, Recorder of Deeds		38,000
Donal E. Firebaugh, County Clerk		38,000
Dan Fall, Prosecuting Attorney		45,000
David Lewis, Sheriff		42,000
Kay Rehkop, County Treasurer		38,000
Charles C. Follis, County Coroner		11,000
Carol Lachance, Public Administrator		15,000
Charla Royer, County Collector, year ended February 28,	38,000	
Barbara Martin, County Assessor , year ended August 31,		38,000
William Douglas McFarland, County Surveyor (1)		

(1) Compensation on a fee basis.





## Madison County Organization and Statistical Information

### Financing Arrangements

The Madison County Commission has established three Tax Increment Financing Districts (TIFs) to stimulate business growth. In December 2002, the county sold revenue bonds totaling \$1,035,000 to finance the first TIF project. In 2004, a promissory note was issued for the second TIF area. To refinance the revenue bonds and promissory note and obtain additional monies for the third TIF area, the county entered into a new loan agreement with the Missouri Transportation Finance Corporation totaling \$4,839,000 in 2007. As of December 31, 2010, the total principal balance was \$3,941,677. Final payment is scheduled to occur in 2018.

The county entered into a capital lease for road and bridge equipment to refinance other leases in December 2010. As of December 31, 2010, the total principal balance was \$240,396. Final payment is scheduled to occur in 2013.

### American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

According to county personnel, the county was awarded the following American Recovery and Reinvestment Act of 2009 funding during the 2 years ended December 31, 2010:

For the years ended December 31, 2010 and 2009, the Madison County Council for the Developmentally Disabled received \$3,977 under Title V, Section 5001 of the Recovery Act which provided additional federal funding through the Medicaid Federal Medical Assistance Percentage grant. The grant was awarded by the Missouri Department of Mental Health. The payments were made for Medicaid expenditures reported between October 1, 2008, and December 31, 2010.